



KNYSNA  
Municipality  
Munisipaliteit  
uMzantsi

**Knysna Municipality**  
Annual Financial Statements  
for the year ended 30 June 2019

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2019

## General Information

### Mayoral committee

	Previous	Current
Executive Mayor	M Willemse (from 6 June 2018)	M Willemse
Deputy Executive Mayor	E Van Aswegen (from 6 June 2018 to 11 June 2019)	A Tsengwa ( from 11 June 2019)
Speaker	GR Wolmarans (to 30 May 2019)	TM Gombo (from 30 May 2019)
Executive Councillor	L Davis (Chairperson: Technical Services Committee)	L Davis (Chairperson: Technical Services Committee) (to 21 May 2019) vacant as at 30 June 2019
Executive Councillor	V Waxa (Chairperson: Planning and Integrated Human Settlements) (from 31 October 2017)	M Wasserman (Chairperson: Planning and Integrated Human Settlements) (from January 2019 to 20 May 2019) vacant as at 30 June 2019
Executive Councillor	S Arends (Chairperson: Community Services Committee) (from 31 October 2017)	M Salaze (Chairperson: Community Services Committee)
Executive Councillor	ACF Weideman (Chairperson: Finance Governance and Economic Development) (from 31 October 2017)	P Myers (Chairperson: Finance Governance and Economic Development)

### Councillors

Ward	Current
1	L Davis
2	ACF Weideman
3	MD Skosana
4	S Ngqezu
5	Vacant
6	EO van Aswegen
7	MG Matiwane
8	T Matika
9	MS Willemse
10	PJ Myers
11	D Pofadder
Proportional	CD Groutz
Proportional	TM Gombo
Proportional	SI Kwinana
Proportional	MN Naki
Proportional	MW Salaze
Proportional	NA Tswenga
Proportional	L Tyokolo
Proportional	I Uys
Proportional	GR Wolmarans
Proportional	M Wasserman

# **Knysna Municipality**

Annual Financial Statements for the year ended 30 June 2019

## **General Information**

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<b>Registered office</b>	Civic Centre Clyde Street Knysna 6570
<b>Postal address</b>	PO Box 21 Knysna 6570
<b>Bankers</b>	Nedbank Corporate P O Box 472 Knysna 6570
<b>Auditors</b>	Auditor-General of South Africa Private Bag X96 Bellville 7535
<b>Website</b>	<a href="http://www.knysna.gov.za">www.knysna.gov.za</a>
<b>Contact numbers</b>	Tel: 044 - 302 6300 Fax: 044-302 6333
<b>Jurisdiction</b>	Greater Knysna areas which includes: Knysna Sedgefield Rheenendal Karatara Brenton Belvidere Knoetzie
<b>Relevant legislation</b>	Constitution of the Republic of South Africa (Act no 108 of 1996) Municipal Finance Management Act (Act no 56 of 2003) Division of Revenue Act The Income Tax Act 58 of 1962 Value Added Tax Act 89 of 1991 Municipal Structures Act (Act no 117 of 1998) Municipal Systems Act (Act no 32 of 2000) Water Services Act (Act no 108 of 1997) Housing Act (Act no 107 of 1997) Municipal Property Rates Act (Act no 6 of 2004) Electricity Act (Act no 41 of 1987) Skills Development Levies Act (Act no 9 of 1999) Employment Equity Act (Act no 55 of 1998) Unemployment Insurance Act (Act no 30 of 1966) Basic Conditions of Employment Act (Act no 75 of 1997)

# Knysna Municipality

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COLD	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2019

## Accounting Officer's Responsibilities and Approval

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The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of financial affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with the Municipal Finance Management Act (Act 56 of 2003) and Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

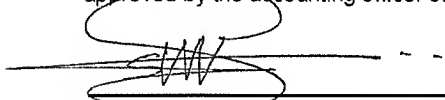
The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2020 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements are prepared on the basis that the municipality is a going concern and that the Knysna Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

The external auditors are responsible for independently auditing and reporting on the municipality's annual financial statements.

The annual financial statements set out on pages 5 to 105, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2019 and were signed by:

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Dr SW Vataala  
Municipal Manager

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2019

## Statement of Financial Position as at 30 June 2019

	Note(s)	2019 R	2018 Restated* R
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	3	10,290,526	5,518,580
Receivables from exchange transactions	5	54,282,984	52,249,963
Receivables from non-exchange transactions	6	82,332,431	70,922,311
VAT receivable	7	19,744,003	27,346,514
Prepayments		2,739,496	2,647,978
Unpaid conditional grants and receipts	8	30,775,924	14,981,801
Cash and cash equivalents	9	71,709,029	79,877,042
		<b>271,874,393</b>	<b>253,544,189</b>
<b>Non-Current Assets</b>			
Long-term investments and receivables	4	34,498,131	32,365,128
Investment property	10	78,997,263	76,911,187
Property, plant and equipment	11	1,135,598,684	1,013,116,140
Intangible assets	12	135,688	154,106
Heritage assets	13	18,173,998	17,435,046
Operating lease asset	14	2,060,278	1,913,910
		<b>1,269,464,042</b>	<b>1,141,895,517</b>
<b>Total Assets</b>		<b>1,541,338,435</b>	<b>1,395,439,706</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Unspent conditional grants and receipts	8	32,585,851	10,314,802
Long-term liabilities	15	23,762,198	18,938,995
Finance lease obligation	16	905,263	740,842
Payables from exchange transactions	17	111,786,241	91,771,037
Consumer deposits	18	12,924,361	12,388,076
Employee benefit obligation	19	32,992,053	29,643,171
Provisions	20	5,880,000	2,022,602
		<b>220,835,967</b>	<b>165,819,525</b>
<b>Non-Current Liabilities</b>			
Long-term liabilities	15	173,816,114	136,080,282
Finance lease obligation	16	410,994	1,197,857
Operating lease liability	14	109,445	5,975
Employee benefit obligation	19	101,441,582	100,910,131
Provisions	20	8,254,850	10,951,327
		<b>284,032,985</b>	<b>249,145,572</b>
<b>Total Liabilities</b>		<b>504,868,952</b>	<b>414,965,097</b>
<b>Net Assets</b>		<b>1,036,469,483</b>	<b>980,474,609</b>
<b>Reserves</b>			
Capital Replacement Reserve		45,500,000	40,500,000
Accumulated surplus		990,969,483	939,974,609
<b>Total Net Assets</b>		<b>1,036,469,483</b>	<b>980,474,609</b>

\* See Note 45

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2019

## Statement of Financial Performance

	Note(s)	2019 R	2018 Restated* R
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	21	362,102,813	335,108,770
Sales of goods and rendering of services		5,076,246	5,204,047
Rental of facilities and equipment	22	5,600,926	4,510,121
Interest received - outstanding debtors		11,837,866	10,544,572
Interest received - external investments		9,443,215	10,301,782
Agency services		3,297,253	3,095,516
Licences and permits		1,586,556	1,671,679
Third Party Payments (Insurance Claims)		4,005,366	4,113,929
Operational revenue	23	1,574,080	1,008,441
<b>Total revenue from exchange transactions</b>		<b>404,524,321</b>	<b>375,558,857</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	24	215,548,591	203,443,082
<b>Transfer revenue</b>			
Government grants and subsidies	25	187,150,401	170,935,590
Fines, penalties and forfeits	26	121,653,768	92,713,639
Public contributions and donations	27	1,214,566	1,337,190
<b>Total revenue from non-exchange transactions</b>		<b>525,567,326</b>	<b>468,429,501</b>
<b>Total revenue</b>		<b>930,091,647</b>	<b>843,988,358</b>
<b>Expenditure</b>			
Employee related costs	28	245,685,762	226,731,358
Remuneration of councillors	29	8,569,575	8,468,978
Bad debts written off		18,238,510	197,105
Debt Impairment	30	117,797,141	109,994,826
Depreciation and amortisation	31	32,604,365	29,533,521
Impairment of assets / (Reversal of impairments)	32	(8,487,969)	713,733
Finance costs	33	25,036,158	25,556,649
Lease rentals on operating lease	34	10,248,334	10,013,494
Bulk purchases	35	169,553,269	154,943,871
Contracted services	36	177,700,900	123,059,076
Transfers and Subsidies	37	4,151,165	4,722,784
Inventory Consumed	38	43,089,810	49,309,630
Operational costs	39	39,293,348	40,051,412
<b>Total expenditure</b>		<b>883,480,368</b>	<b>783,296,437</b>
<b>Operating surplus</b>		<b>46,611,279</b>	<b>60,691,921</b>
Profit/(loss) on disposal of assets and liabilities		(491,249)	(123,836)
Actuarial gains/(losses)	19	9,508,014	10,425,152
Inventories surplus (losses/write-downs)		366,836	(35,988)
		<b>9,383,601</b>	<b>10,265,328</b>
<b>Surplus for the year</b>		<b>55,994,880</b>	<b>70,957,249</b>

\* See Note 45

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2019

## Statement of Changes in Net Assets

	Capital Replacement Reserve R	Accumulated surplus R	Total net assets R
Opening balance as previously reported	36,850,669	862,929,471	899,780,140
Adjustments			
Correction of errors - Refer to note 45	-	9,737,221	9,737,221
<b>Balance at 01 July 2017 as restated*</b>	<b>36,850,669</b>	<b>872,666,691</b>	<b>909,517,360</b>
Changes in net assets			
Restated surplus for the year - Refer to note 45	-	70,957,249	70,957,249
Transfer to / from Capital Replacement Reserve	3,649,331	(3,649,331)	-
Total changes	3,649,331	67,307,918	70,957,249
<b>Restated* Balance at 01 July 2018</b>	<b>40,500,000</b>	<b>939,974,603</b>	<b>980,474,603</b>
Changes in net assets			
Surplus for the year	-	55,994,880	55,994,880
Transfer to / from Capital Replacement Reserve	5,000,000	(5,000,000)	-
Total changes	5,000,000	50,994,880	55,994,880
<b>Balance at 30 June 2019</b>	<b>45,500,000</b>	<b>990,969,483</b>	<b>1,036,469,483</b>
Note(s)			

\* See Note 45



# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2019

## Cash Flow Statement

	Note(s)	2019 R	2018 Restated* R
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Taxation and fines revenue		222,975,881	208,522,002
Sale of goods and services		344,198,184	315,681,162
Grants and conditional receipts		193,627,325	178,709,395
Interest income		9,443,215	10,301,782
Other income		16,019,574	15,056,959
		<u>786,264,179</u>	<u>728,271,300</u>
<b>Payments</b>			
Employee costs		(240,861,054)	(231,917,389)
Suppliers		(430,364,605)	(392,674,302)
Finance costs		(14,366,287)	(14,854,445)
		<u>(685,591,946)</u>	<u>(639,446,136)</u>
<b>Net cash flows from operating activities</b>	40	<b><u>100,672,233</u></b>	<b><u>88,825,164</u></b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	11	(148,506,148)	(126,117,587)
Proceeds from sale of Property, plant and equipment	11	29,738	-
Movement in Long-term investments and receivables	4	(2,133,003)	(2,015,781)
<b>Net cash flows from investing activities</b>		<b><u>(150,609,413)</u></b>	<b><u>(128,133,368)</u></b>
<b>Cash flows from financing activities</b>			
Proceeds from long-term liabilities	15	60,238,000	25,424,087
Repayment of long-term liabilities		(17,678,965)	(13,828,163)
Finance lease payments		(789,868)	(623,617)
<b>Net cash flows from financing activities</b>		<b><u>41,769,167</u></b>	<b><u>10,972,307</u></b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b><u>(8,168,013)</u></b>	<b><u>(28,335,897)</u></b>
Cash and cash equivalents at the beginning of the year		79,877,042	108,212,939
<b>Cash and cash equivalents at the end of the year</b>	9	<b><u>71,709,029</u></b>	<b><u>79,877,042</u></b>

\* See Note 45

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2019

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue by source</b>						
Property rates	215,403,157	300,000	215,703,157	215,548,591	(154,566)	Difference below R 1mil
Service charges	386,212,113	8,600,000	394,812,113	362,102,813	(32,709,300)	Difference less than 10%
Investment revenue	23,833,804	-	23,833,804	21,281,081	(2,552,723)	54.1
Transfers recognised - operational	153,822,304	18,205,217	172,027,521	137,293,674	(34,733,847)	54.2
Other own revenue	135,277,822	(700,000)	134,577,822	144,401,502	9,823,680	54.3
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>914,549,200</b>	<b>26,405,217</b>	<b>940,954,417</b>	<b>880,627,661</b>	<b>(60,326,756)</b>	
<b>Expenditure by type</b>						
Employee costs	(254,199,498)	3,382,871	(250,816,627)	(236,177,748)	14,638,879	Difference less than 10%
Remuneration of councillors	(8,652,500)	(698,950)	(9,351,450)	(8,569,575)	781,875	Difference below R 1mil
Debt impairment	(108,874,932)	24,000,000	(84,874,932)	(117,797,141)	(32,922,209)	54.4
Depreciation & asset impairment	(31,510,869)	(714,695)	(32,225,564)	(24,116,396)	8,109,168	54.5
Finance costs	(14,395,110)	217,546	(14,177,564)	(25,036,158)	(10,858,594)	54.6
Materials and bulk purchases	(227,443,744)	9,248,315	(218,195,429)	(212,643,079)	5,552,350	Difference less than 10%
Transfers and grants	(3,150,000)	(544,400)	(3,694,400)	(4,151,165)	(456,765)	Difference below R 1mil
Contracted services	(172,444,828)	(43,896,394)	(216,341,222)	(177,700,900)	38,640,322	54.7
Other expenditure	(57,594,123)	(32,553,023)	(90,147,146)	(68,297,346)	21,849,800	54.8
<b>Total expenditure</b>	<b>(878,265,604)</b>	<b>(41,558,730)</b>	<b>(919,824,334)</b>	<b>(874,489,508)</b>	<b>45,334,826</b>	
<b>Surplus / (Deficit)</b>	<b>36,283,596</b>	<b>(15,153,513)</b>	<b>21,130,083</b>	<b>6,138,153</b>	<b>(14,991,930)</b>	
Transfers recognised - capital	53,359,696	20,593,167	73,952,863	49,856,727	(24,096,136)	54.2
<b>Surplus after capital transfers &amp; contributions</b>	<b>89,643,292</b>	<b>5,439,654</b>	<b>95,082,946</b>	<b>55,994,880</b>	<b>(39,088,066)</b>	
<b>Surplus for the year</b>	<b>89,643,292</b>	<b>5,439,654</b>	<b>95,082,946</b>	<b>55,994,880</b>	<b>(39,088,066)</b>	

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2019

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
<b>Statement of Financial Position</b>						
<b>Assets</b>						
<b>Current Assets</b>						
Cash	72,169,000	(31,073,000)	41,096,000	71,709,029	30,613,029	54.9
Consumer debtors	56,107,000	(665,000)	55,442,000	53,332,532	(2,109,468)	Difference less than 10%
Other debtors	124,731,000	(2,068,000)	122,663,000	136,542,306	13,879,306	54.10
Current portion of long-term receivables	8,000	(8,000)	-	-	-	Difference below R 1mil
Inventory	9,093,000	(3,243,000)	5,850,000	10,290,526	4,440,526	54.11
	<b>262,108,000</b>	<b>(37,057,000)</b>	<b>225,051,000</b>	<b>271,874,393</b>	<b>46,823,393</b>	
<b>Non-Current Assets</b>						
Long-term receivables	7,000	-	7,000	-	(7,000)	Difference below R 1mil
Investments	30,343,000	2,015,000	32,358,000	34,498,131	2,140,131	Difference less than 10%
Investment property	77,004,000	(89,000)	76,915,000	78,997,263	2,082,263	Difference less than 10%
Property, plant and equipment	1,184,208,000	8,852,000	1,193,060,000	1,135,598,684	(57,461,316)	Difference less than 10%
Intangible	157,000	(3,000)	154,000	135,688	(18,312)	Difference below R 1 mil
Other non-current assets	19,188,000	161,000	19,349,000	20,234,276	885,276	Difference below R 1 mil
	<b>1,310,907,000</b>	<b>10,936,000</b>	<b>1,321,843,000</b>	<b>1,269,464,042</b>	<b>(52,378,958)</b>	
<b>Total Assets</b>	<b>1,573,015,000</b>	<b>(26,121,000)</b>	<b>1,546,894,000</b>	<b>1,541,338,435</b>	<b>(5,555,565)</b>	
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Borrowing	14,947,000	4,733,000	19,680,000	24,667,461	4,987,461	54.12
Consumer deposits	12,793,000	388,000	13,181,000	12,924,361	(256,639)	Difference below R 1 mil
Trade and other payables	119,696,000	(15,984,000)	103,712,000	144,372,092	40,660,092	54.13
Provisions	29,715,000	5,505,000	35,220,000	38,872,053	3,652,053	Difference below R 1 mil
	<b>177,151,000</b>	<b>(5,358,000)</b>	<b>171,793,000</b>	<b>220,835,967</b>	<b>49,042,967</b>	
<b>Non-Current Liabilities</b>						
Borrowing	183,101,000	10,991,000	194,092,000	174,336,553	(19,755,447)	54.12
Provisions	145,722,000	(28,820,000)	116,902,000	109,696,432	(7,205,568)	54.14
	<b>328,823,000</b>	<b>(17,829,000)</b>	<b>310,994,000</b>	<b>284,032,985</b>	<b>(26,961,015)</b>	
<b>Total Liabilities</b>	<b>505,974,000</b>	<b>(23,187,000)</b>	<b>482,787,000</b>	<b>504,868,952</b>	<b>22,081,952</b>	
<b>Net Assets</b>	<b>1,067,041,000</b>	<b>(2,934,000)</b>	<b>1,064,107,000</b>	<b>1,036,469,483</b>	<b>(27,637,517)</b>	
<b>Community wealth/equity</b>						
Accumulated Surplus/(Deficit)	1,021,410,000	2,197,000	1,023,607,000	990,969,483	(32,637,517)	Difference less than 10%

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2019

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Reserves	45,631,000	(5,131,000)	40,500,000	45,500,000	5,000,000	54.15
<b>Total community wealth/equity</b>	<b>1,067,041,000</b>	<b>(2,934,000)</b>	<b>1,064,107,000</b>	<b>1,036,469,483</b>	<b>(27,637,517)</b>	

### Cash Flow Statement

#### Cash flows from operating activities

##### Receipts

Ratepayers and other	609,914,631	7,057,000	616,971,631	586,879,819	(30,091,812)	Difference less than 10%
Government grants and conditional receipts	207,182,000	38,798,384	245,980,384	193,164,315	(52,816,069)	54.16
Interest	22,022,733	-	22,022,733	9,443,215	(12,579,518)	54.17
	<b>839,119,364</b>	<b>45,855,384</b>	<b>884,974,748</b>	<b>789,487,349</b>	<b>(95,487,399)</b>	

##### Payments

Suppliers and employees	(704,174,182)	(51,332,044)	(755,506,226)	(670,833,942)	84,672,284	54.18
Finance charges	(14,395,110)	217,546	(14,177,564)	(14,366,285)	(188,721)	Difference below R 1 mil
Transfers and Grants	(3,150,000)	(544,400)	(3,694,400)	(4,151,165)	(456,765)	Difference below R 1 mil
	<b>(721,719,292)</b>	<b>(51,658,898)</b>	<b>(773,378,190)</b>	<b>(689,351,392)</b>	<b>84,026,798</b>	

<b>Net cash flows from operating activities</b>	<b>117,400,072</b>	<b>(5,803,514)</b>	<b>111,596,558</b>	<b>100,135,957</b>	<b>(11,460,601)</b>	
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#### Cash flows from investing activities

##### Receipts

Proceeds on disposal of assets	1,000,000	-	1,000,000	29,739	(970,261)	Difference below R 1 mil
Decrease (increase) in non-current investments	-	-	-	(2,133,003)	(2,133,003)	54.19
	<b>1,000,000</b>	<b>-</b>	<b>1,000,000</b>	<b>(2,103,264)</b>	<b>(3,103,264)</b>	

##### Payments

Capital assets	(147,686,683)	(61,292,274)	(208,978,957)	(148,506,148)	60,472,809	54.20
<b>Net cash flows from investing activities</b>	<b>(146,686,683)</b>	<b>(61,292,274)</b>	<b>(207,978,957)</b>	<b>(150,609,412)</b>	<b>57,369,545</b>	

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2019

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual R	Reference
	R	R	R	R	R	
<b>Cash flows from financing activities</b>						
<b>Receipts</b>						
Borrowing long term/refinancing	50,195,720	23,112,094	<b>73,307,814</b>	60,238,000	<b>(13,069,814)</b>	54.21
Increase (decrease) in consumer deposits	769,527	23,310	<b>792,837</b>	536,285	<b>(256,552)</b>	Difference below R 1 mil
	<b>50,965,247</b>	<b>23,135,404</b>	<b>74,100,651</b>	<b>60,774,285</b>	<b>(13,326,366)</b>	
<b>Payments</b>						
Repayment of borrowing	(16,736,440)	236,668	<b>(16,499,772)</b>	(18,468,834)	<b>(1,969,062)</b>	54.21
<b>Net cash flows from financing activities</b>	<b>34,228,807</b>	<b>23,372,072</b>	<b>57,600,879</b>	<b>42,305,451</b>	<b>(15,295,428)</b>	
Net increase/(decrease) in cash held	4,942,196	(43,723,716)	<b>(38,781,520)</b>	(8,168,004)	<b>30,613,516</b>	
Cash/cash equivalents at the year begin:	67,226,556	12,650,486	<b>79,877,042</b>	79,877,042	-	
<b>Cash and cash equivalents at the end of the year</b>	<b>72,168,752</b>	<b>(31,073,230)</b>	<b>41,095,522</b>	<b>71,709,038</b>	<b>30,613,516</b>	

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2019

## Appropriation Statement

	Original budget	Budget adjustments (i.t.o. s28 and budget s31 of the MFMA)	Final adjustments	Shifting of funds (i.t.o. MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
	R	R	R	R	R	R	R	R	R	R	R
<b>2019</b>											
<b>Financial Performance</b>											
Property rates	215,403,157	300,000	215,703,157	-	-	215,703,157	215,548,591	-	(154,566)	100 %	100 %
Service charges	386,212,113	8,600,000	394,812,113	-	-	394,812,113	362,102,813	-	(32,709,300)	92 %	94 %
Investment revenue	23,833,804	-	23,833,804	-	-	23,833,804	21,281,081	-	(2,552,723)	89 %	89 %
Transfers	153,822,304	18,205,217	172,027,521	-	-	172,027,521	137,293,674	-	(34,733,847)	80 %	89 %
recognised - operational											
Other own revenue	135,277,822	(700,000)	134,577,822	-	-	134,577,822	144,401,502	-	9,823,680	107 %	107 %
<b>Total revenue (excluding capital transfers and contributions)</b>	<b>914,549,200</b>	<b>26,405,217</b>	<b>940,954,417</b>	<b>-</b>	<b>-</b>	<b>940,954,417</b>	<b>880,627,661</b>	<b>-</b>	<b>(60,326,756)</b>	<b>94 %</b>	<b>96 %</b>
Employee costs	(254,199,498)	3,090,327	(251,109,171)	-	292,544	(250,816,627)	(236,177,748)	-	14,638,879	94 %	93 %
Remuneration of councillors	(8,652,500)	(698,950)	(9,351,450)	-	-	(9,351,450)	(8,569,575)	-	781,875	92 %	99 %
Debt Impairment	(108,874,932)	24,000,000	(84,874,932)	-	-	(84,874,932)	(117,797,141)	-	(32,922,209)	139 %	108 %
Depreciation and asset impairment	(31,510,869)	(714,695)	(32,225,564)	-	-	(32,225,564)	(24,116,396)	-	8,109,168	75 %	77 %
Finance charges	(14,395,110)	217,546	(14,177,564)	-	-	(14,177,564)	(25,036,158)	-	(10,858,594)	177 %	174 %
Materials and bulk purchases	(227,443,744)	15,815,727	(211,628,017)	-	(6,567,412)	(218,195,429)	(212,643,079)	-	5,552,350	97 %	93 %
Transfers and grants	(3,150,000)	(544,400)	(3,694,400)	-	-	(3,694,400)	(4,151,165)	-	(456,765)	112 %	132 %
Other expenditure	(230,038,951)	(82,724,285)	(312,763,236)	-	6,274,868	(306,488,368)	(245,998,246)	-	60,490,122	80 %	107 %
<b>Total expenditure</b>	<b>(878,265,604)</b>	<b>(41,558,730)</b>	<b>(919,824,334)</b>	<b>-</b>	<b>-</b>	<b>(919,824,334)</b>	<b>(874,489,508)</b>	<b>-</b>	<b>45,334,826</b>	<b>95 %</b>	<b>100 %</b>
<b>Surplus/(Deficit)</b>	<b>36,283,596</b>	<b>(15,153,513)</b>	<b>21,130,083</b>	<b>-</b>	<b>-</b>	<b>21,130,083</b>	<b>6,138,153</b>	<b>-</b>	<b>(14,991,930)</b>	<b>29 %</b>	<b>17 %</b>

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2019

## Appropriation Statement

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments and budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
	R	R	R	R	R	R	R	R	R	R	R
Transfers recognised - capital	53,359,696	20,593,167	73,952,863	-	-	73,952,863	49,856,727		(24,096,136)	67 %	93 %
Surplus (Deficit) after capital transfers and contributions	89,643,292	5,439,654	95,082,946	-	-	95,082,946	55,994,880		(39,088,066)	59 %	62 %
Surplus/(Deficit) for the year	89,643,292	5,439,654	95,082,946	-	-	95,082,946	55,994,880		(39,088,066)	59 %	62 %
Capital expenditure and funds sources											
Total capital expenditure	150,741,510	61,781,506	212,523,016	-	-	212,523,016	149,666,159		(62,856,857)	70 %	99 %

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2019

## Appropriation Statement

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments and budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
	R	R	R	R	R	R	R	R	R	R	R
<b>Cash flows</b>											
Net cash from (used) operating	117,400,072	(5,803,514)	111,596,558	-	-	111,596,558	100,672,233		(10,924,325)	90 %	86 %
Net cash from (used) investing	(146,686,683)	(61,292,274)	(207,978,957)	-	-	(207,978,957)	(150,609,413)		57,369,544	72 %	103 %
Net cash from (used) financing	34,228,807	23,372,072	57,600,879	-	-	57,600,879	41,769,167		(15,831,712)	73 %	122 %
<b>Net increase/(decrease ) in cash and cash equivalents</b>	<b>4,942,196</b>	<b>(43,723,716)</b>	<b>(38,781,520)</b>	<b>-</b>	<b>-</b>	<b>(38,781,520)</b>	<b>(8,168,013)</b>		<b>30,613,507</b>	<b>21 %</b>	<b>(165)%</b>
Cash and cash equivalents at the beginning of the year	67,226,556	12,650,486	79,877,042	-	-	79,877,042	79,877,042		-	100 %	119 %
<b>Cash and cash equivalents at year end</b>	<b>72,168,752</b>	<b>(31,073,230)</b>	<b>41,095,522</b>	<b>-</b>	<b>-</b>	<b>41,095,522</b>	<b>71,709,029</b>		<b>(30,613,507)</b>	<b>174 %</b>	<b>99 %</b>



# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Municipal Finance Management Act (MFMA) and effective Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations, guidelines and directives issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise.

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period unless explicitly stated otherwise. The details of any changes in accounting policies are explained in the relevant notes to the financial statements.

#### 1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality and are rounded to the nearest South African Rand.

#### 1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

#### 1.3 Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total expenditure. This materiality is from management's perspective and does not necessarily correlate with the external auditor's materiality.

#### 1.4 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements in conformity with GRAP, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

##### **Impairment of receivables**

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.4 Significant judgements and sources of estimation uncertainty (continued)

#### Property, plant and equipment

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and residual values of property, plant and equipment:

- The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.
- Local Government Industry Guides were used to assist with the deemed cost and useful life of infrastructure assets.
- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings. The Municipality also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

#### Componentisation of Infrastructure assets

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market price of each component, depreciated for age and condition and recalculated to cost at the acquisition date if known or to the date of initially adopting the standards of GRAP.

#### Intangible assets

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

Reference was made to intangibles used within the Municipality and other municipalities to determine the useful life of the assets.

#### Post-retirement medical obligations, long service awards and ex-gratia pension benefits

The cost of post retirement medical obligations, long service awards and ex-gratia gratuities are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 19.

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.4 Significant judgements and sources of estimation uncertainty (continued)

#### Provisions

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material. Additional disclosure of these estimates of provisions and contingent liabilities are included in note 20 - Provisions and note 43 - Contingencies.

#### Provision for Landfill Sites

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value at the reporting date of the expected future cash flows to rehabilitate the landfill site. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are recognised in the Statement of Financial Performance.

Management referred to the following when making assumptions regarding provisions:

- Professional engineers are utilised annually to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.
- Interest rates linked to appropriate government bond rates were used to calculate the effect of time value of money.

#### Pre-paid electricity estimation

Pre-paid electricity is only recognised as income once the electricity is consumed. The pre-paid electricity balance (included under payables) represents the best estimate of electricity sold at year-end that is still unused. The average pre-paid electricity sold per day during the year under review is used and the estimate is calculated using between 5 and 10 days' worth of unused electricity.

### 1.5 Investment property

#### Initial Recognition

Investment property shall be recognised as an asset when, and only when:

- it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity, and
- the cost of the investment property can be measured reliably.

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use is also classified as investment property.

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is measured at cost.

Transfers are made to or from investment property only when there is a change in use.

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.5 Investment property (continued)

#### Subsequent Measurement - Cost model

Subsequent to initial recognition, items of investment property are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

#### Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value over the useful life of the property, which is as follows:

Item	Useful life
Property - land	indefinite
Property - buildings	100 years

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (refer to note 10).

Investment property is not used as security unless stated otherwise in the notes.

### 1.6 Property, plant and equipment

#### Initial recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

### 1.6 Property, plant and equipment (continued)

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and servicing equipment qualify as property, plant and equipment when the Municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

#### Subsequent Measurement - Cost Model

Subsequent to initial recognition, items of Property, plant and equipment are carried at cost less accumulated depreciation and any impairment losses.

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits or service potential associated with the asset.

#### Depreciation and impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Land	None	Indefinite
Buildings	Straight line	100 years
Infrastructure - Sewerage	Straight line	10 - 100 years
Infrastructure - Electricity	Straight line	10 - 100 years
Infrastructure - Water	Straight line	10 - 182 years
Infrastructure - Roads	Straight line	10 - 102 years
Infrastructure - Security measures	Straight line	5 - 80 years
Community asset	Straight line	5 - 100 years
Leased assets	Straight line	2 - 6 years
Other assets - Bins and containers	Straight line	15 years
Other assets - Other	Straight line	3 - 100 years
Other assets - Office Equipment	Straight line	2 - 35 years
Other assets - Vehicles and specialised vehicles	Straight line	7 - 50 years

The residual value, and the useful life and depreciation method of each asset are assessed based on the occurrence of certain indicators. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in the Statement of Financial Performance unless it is included in the carrying amount of another asset.

Property, plant and equipment are reviewed for any indication of impairment. If any such indication exists, the accounting policy as disclosed under 1.14 or 1.15 (which ever is relevant) is applied.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

#### De-recognition

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.6 Property, plant and equipment (continued)

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in the Statement of Financial Performance when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

### 1.7 Intangible assets

#### Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiability criterion in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost of the asset can be measured reliably.

Where an Intangible asset is acquired through a **non-exchange** transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are initially recognised at cost.

#### Subsequent Measurement - Cost model

Intangible assets are subsequently carried at cost less any accumulated amortisation and any accumulated impairment losses.

The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

#### Amortisation

Amortisation is charged so as to write-off the cost of intangible assets over its estimated useful lives using the straight line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are assessed based on the occurrence of certain indicators, with the effect of any changes in estimate accounted for on a prospective basis.

The annual amortisation rates are based on the following estimated useful lives:

Item	Useful life
Computer software and website	5-10 years

# **Knysna Municipality**

Annual Financial Statements for the year ended 30 June 2019

## **Accounting Policies**

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### **1.7 Intangible assets (continued)**

#### **Derecognition**

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

### **1.8 Heritage assets**

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (refer to note 13).

#### **Initial recognition**

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost of the asset can be measured reliably.

#### **Initial measurement**

Heritage assets are initially measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

#### **Subsequent measurement - Cost model**

After recognition as an asset, a class of heritage assets is carried at cost less any accumulated impairment losses.

Heritage assets are not depreciated.

#### **Derecognition**

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising on the disposal or retirement of a heritage asset is determined as the difference between the sales proceeds and the carrying value of the heritage asset and is recognised in the Statement of Financial Performance.

# Knysna Municipality

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## Accounting Policies

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### 1.9 Financial instruments

Financial instruments recognised on the Statement of Financial Position include receivables, cash and cash equivalents, annuity loans and payables and non-current investments.

#### Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Long-term investments and receivables	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Long-term liabilities	Financial liability measured at amortised cost
Trade and other payables from exchange transactions	Financial liability measured at amortised cost

#### Initial recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

#### Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

#### Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at amortised cost.

All financial assets measured at amortised cost, are subject to an impairment review.

#### Receivables

Receivables are classified as financial assets at amortised cost, and are initially measured at fair value and subsequently measured at amortised cost using the effective interest rate method.

For amounts due from receivable carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant at the end of each reporting period. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.



# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.9 Financial instruments (continued)

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in surplus or deficit. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a previous write-off is later recovered, the recovery is recognised in the surplus or deficit.

The present value of the estimated future cash flows is discounted at the original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the original effective interest rate.

#### Payables and long term liabilities

Financial liabilities consist of payables and long term liabilities. They are categorised as financial liabilities held at amortised cost, and are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

#### Cash and cash equivalents

Cash and Cash Equivalents are initially measured at fair value. Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

#### Non-Current Investments

Investments which include fixed deposits invested in registered commercial banks, are stated at amortised cost.

#### Gains and losses

For financial assets and financial liabilities measured at amortised cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

#### Derecognition

##### Financial assets

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.9 Financial instruments (continued)

#### Financial liabilities

A financial liability (or a part of a financial liability) is derecognised from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance note 1.24

#### Offsetting of financial instruments

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

### 1.10 Statutory receivables

#### Identification

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset. Statutory receivables can arise from both exchange and non-exchange transactions.

#### Initial Recognition

Statutory receivables are recognised when the related revenue is recognised or when the receivable meets the definition of an asset when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

#### Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

#### Subsequent measurement

The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

#### Impairment losses

The municipality assesses at each reporting date whether there is any indication that a statutory receivable, or a group of statutory receivables, may be impaired.

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable, or group of statutory receivables, is reduced through the use of an allowance account. The amount of the losses are recognised in surplus or deficit.

In estimating the future cash flows, the municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the entity discounts the estimated future cash flows using a rate that reflects the current risk free rate and, if applicable, any risks specific to the statutory receivable, or group of statutory receivables, for which the future cash flow estimates have not been adjusted.

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.10 Statutory receivables (continued)

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows.

Any previously recognised impairment loss is adjusted by adjusting the allowance account. The adjustment does not result in the carrying amount of the statutory receivable or group of statutory receivables exceeding what the carrying amount of the receivable(s) would have been had the impairment loss not been recognised at the date the impairment is revised. The amount of any adjustment is recognised in surplus or deficit.

#### Derecognition

The municipality derecognises a statutory receivable, or a part thereof, when:

- the rights to the cash flows from the receivable are settled, expire or are waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- the municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity:
  - derecognise the receivable; and
  - recognise separately any rights and obligations created or retained in the transfer.

### 1.11 Taxes - Value Added Tax

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value Added Tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

From 1 April 2018 value added tax is levied at the standard rate of 15% on the supply of goods and services.

Value added tax is recognised on the payments basis.

### 1.12 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

#### Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased assets or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of return on the remaining balance of the liability. The accounting policies relating to de-recognition of financial instruments are applied to lease payables.

Any contingent rents are expensed in the period in which they are incurred.

#### Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term. The difference between the straight-lined revenue and actual payments received will give rise to an asset or liability.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.12 Leases (continued)

#### Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

### 1.13 Inventories

#### Initial measurement

Inventories comprise of current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost of the inventories can be measured reliably.

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

#### Subsequent measurement

Inventories, consisting of consumable stores, maintenance materials and water are subsequently measured at the lower of cost and net realisable value.

Water inventory is being measured by multiplying the cost per kilo litre of purified water by the amount of water in storage.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

### 1.14 Impairment of cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.14 Impairment of cash-generating assets (continued)

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

#### Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

#### (a) External sources of information

- During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use.
- Significant changes with an adverse effect on the Municipality have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the Municipality operates or in the market to which an asset is dedicated.
- Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

#### (b) Internal sources of information

- Evidence is available of obsolescence or physical damage of an asset.
- Significant changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite.
- Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

#### Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

#### Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

#### Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.14 Impairment of cash-generating assets (continued)

#### Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

#### Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

### 1.15 Impairment of non-cash-generating assets

#### Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

#### (a) External sources of information

- Cessation, or near cessation, of the demand or need for services provided by the asset.
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the Municipality operates.

#### (b) Internal sources of information

- Evidence is available of physical damage of an asset.
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date.
- A decision to halt the construction of the asset before it is complete or in a usable condition.
- Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.

## **Knysna Municipality**

Annual Financial Statements for the year ended 30 June 2019

### **Accounting Policies**

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#### **1.15 Impairment of non-cash-generating assets (continued)**

##### **Value in use**

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approaches, depending on the nature of the asset in question:

##### **Depreciated replacement cost approach**

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

##### **Restoration cost approach**

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

##### **Service units approach**

The present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. The current cost of replacing the remaining service potential of the asset before impairment is determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

##### **Recognition and measurement**

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

##### **Reversal of an impairment loss**

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

#### **1.16 Share capital / contributed capital**

An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.17 Employee benefits

Employee benefits are all forms of consideration given by the entity in exchange for service rendered by employees.

#### Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the municipality during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

#### Long service awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries annually and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs.

#### Accrual for staff leave

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year-end and also on the total remuneration package of the employee.

Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term.

Accumulated leave is vesting.



# **Knysna Municipality**

Annual Financial Statements for the year ended 30 June 2019

## **Accounting Policies**

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### **1.17 Employee benefits (continued)**

#### **Staff bonuses accrued**

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year-end for each employee.

#### **Provision for performance bonuses**

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, is recognised as it accrues to Section 57 employees. The Municipality's performance bonus provisions are based on the employment contract stipulations as well as previous performance bonus payment trends.

#### **Post-employment benefits**

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

#### **Post-retirement medical obligations**

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 70% as contribution and the remaining 30% is paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – "Employee Benefits" (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are recognised in the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the present value of the defined benefit obligation at the reporting date, minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly, plus any liability that may arise as a result of minimum funding requirements. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

#### **Ex gratia gratuities**

Ex gratia gratuities are provided to employees that were not previously members of a pension fund. The Municipality's obligation under these plans is valued by independent qualified actuaries and the corresponding liability is raised. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically, unless circumstances change significantly in which case it is done annually, by independent qualified actuaries.

#### **Pension and retirement fund obligations**

The Municipality provides retirement benefits for its employees and councillors. Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are recognised in the Statement of Financial Performance in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are recognised in the Statement of Financial Performance in the year they become payable.

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.17 Employee benefits (continued)

#### Post-employment benefits: Defined contribution plans

When an employee has rendered service to the entity during a reporting period, the entity recognises the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

#### Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognises actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The entity determines the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

### 1.18 Unspent conditional grants and receipts

Conditional grants and receipts are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

A liability for unspent conditional grants and receipts is recognised only to the extent that the conditions attached to the grant have not been satisfied and are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public.

Unspent conditional grants and receipts are not considered to be financial instruments as there are no amount to be settled through cash or another financial instrument as required per GRAP 104. Once the conditional grant becomes repayable to the donor due to conditions not met, the remaining portion of the unspent conditional grant is reclassified as payables, which is considered to be a financial instrument.

This liability always has to be asset-backed. The following provisions are set for the creation and utilisation of this liability:

- Unspent conditional grants are recognised as a liability when the grant is received.

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.18 Unspent conditional grants and receipts (continued)

- When grant conditions are met an amount equal to the conditions met is transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the liability is invested as individual investment or part of the operating account of the Municipality until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the liability. If it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

### 1.19 Unpaid conditional grants and receipts

Unpaid conditional grants are assets in terms of GRAP that are separately reflected on the Statement of Financial Position. The asset is recognised when the municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from the public.

### 1.20 Provisions and contingencies

#### Provisions

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an finance cost.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for deficits arising from future operating activities.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.20 Provisions and contingencies (continued)

#### Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Municipality. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent assets and contingent liabilities are not recognised. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where the inflow of economic benefits or service potential is probable. Contingencies are disclosed in note 43.

Management judgement is required when recognising and measuring contingent liabilities.

### 1.21 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Capital commitments disclosed in the financial statements represents the contractual balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

### 1.22 Internal reserves

#### Capital replacement reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus to the CRR. The cash in the CRR can only be utilized to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus is credited by a corresponding amount when the amounts in the CRR are utilized.

### 1.23 Revenue from exchange transactions

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable.

At the time of initial recognition the full amount of revenue is recognised where the Municipality has an enforceable legal obligation to collect, unless the individual collectibility is considered to be improbable. If the Municipality does not successfully enforce its obligation to collect the revenue this would give rise to an impairment of the receivable and a separate expense to be recognised.

#### Measurement

The amount of revenue arising on a transaction is usually determined by agreement between the Municipality and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the Municipality.

#### Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

# **Knysna Municipality**

Annual Financial Statements for the year ended 30 June 2019

## **Accounting Policies**

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### **1.23 Revenue from exchange transactions (continued)**

#### **Service charges**

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Where the Municipality was unable to take the actual month's reading of certain consumers, a provisional estimate of consumption for that month will be created based on past patterns. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Service charges relating to refuse removal are recognised on an annual basis in advance by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage.

Service charges from sanitation (sewerage) are recognised on an annual basis in advance by applying the approved tariff to each property that has improvements.

#### **Pre-paid electricity**

Revenue from the sale of electricity prepaid meter cards is initially recognised at the point of sale. It is estimated that pre-paid electricity is consumed within 5 to 7 days after date of purchase. Subsequently, the pre-paid electricity sold, but not consumed yet at year-end is disclosed under Payables from Exchange Transactions in the Statement of Financial Position in order to only recognise pre-paid electricity consumed.

#### **Interest earned**

Interest revenue is recognised in surplus and deficit as it accrues, using the effective interest rate method.

#### **Rentals received**

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

#### **Tariff charges**

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

#### **Agency services**

Revenue arising out of situations where the Municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

#### **Third party payments**

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and it is probable that inflow will occur and it is not being offset against the related expenses of repairs or renewals of the impaired assets.

### **1.24 Revenue from non-exchange transactions**

Revenue from non-exchange transactions refers to transactions where the Municipality received value from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.24 Revenue from non-exchange transactions (continued)

#### Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

#### Rates and taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. At the time of initial recognition the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, this would be considered as a subsequent event. Collection charges are recognised when such amounts are legally enforceable. Rebates and discounts are offset against the related revenue, as there is no intention of collecting this revenue.

Penalty interest on unpaid rates is recognised on a time proportionate basis.

Rates are levied monthly and payable by the last day of the following month. Interest is levied at the prime rate plus one percent on outstanding monthly installments.

#### Fines

Fine Revenue constitutes both spot fines and summonses. Fine revenue is recognised when the offence occurs to the extent that the municipality expects legal entitlement.

#### Public donations and contributions

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the Municipality. Where public contributions have been received, but the Municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

#### Revenue from recovery of unauthorised, irregular and fruitless and wasteful expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

#### Unconditional grants

Grants without any conditions attached are recognised as revenue when the grant is receivable.

#### Conditional grants and receipts

Income received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

The liability is transferred to revenue as and when the conditions attached to the grant are met.

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.24 Revenue from non-exchange transactions (continued)

#### Other receipts

All unclaimed deposits are initially recognised as a liability. After 12 months all unclaimed deposits into the Municipality's bank account will be treated as revenue. Historical patterns have indicated that minimal unidentified deposits are reclaimed after a period of twelve months. This assessment is performed annually at 30 June. Therefore the substance of these transactions indicate that even though the prescription period for unclaimed monies is legally three years, it is reasonable to recognise all unclaimed monies older than twelve months as revenue.

### 1.25 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

### 1.26 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003).

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 1.27 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 1.28 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure.

Irregular expenditure is recorded in the notes to the financial statements when confirmed. The amount recorded is equal to the value of the irregular expenditure incurred, unless it is impractical to determine, in which case reasons therefore must be provided in the notes.

Irregular expenditure receivables are measured at the amount that is expected to be recovered and are de-recognised when settled or written-off as irrecoverable.

### 1.29 Budget information

The Municipality is subject to budgetary limits in the form of a council approved budget, which is given effect through authorising legislation.

The approved budget is prepared on a accrual basis and presented by functional classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 01/07/2018 to 30/06/2019.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.29 Budget information (continued)

Explanations for material variances between the final budget amounts and comparable actual amounts are included the Notes to the Financial Statements. Material variances are being defined by Management as 10% of a specific line-item with a minimum threshold of R1 million.

Explanations for variances between the approved and final budget are included in the Notes to the Financial Statements as well as the Statements of Comparison of Budget and Actual Amounts.

### 1.30 Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and another entity are subject to common control.

The Municipality previously resolved to adopt the disclosure requirements as per GRAP 20 – “Related Party Disclosures”.

A related party is a person or entity:

- with the ability to control or jointly control the other party;
- or exercise significant influence over the other party in making financial and operating decisions;
- or if the related party entity and another entity are subject to common control.

Related parties include:

- Entities that directly, or indirectly through one or more intermediaries, control, or are controlled by the reporting entity;
- Individuals owning, directly or indirectly, an interest in the reporting entity that gives them significant influence over the entity, and close members of the family of any such individual;
- Key management personnel, and close members of the family of key management personnel; and
- Entities in which a substantial ownership interest is held, directly or indirectly, by any person described in the 2nd and 3rd bullet, or over which such a person is able to exercise significant influence.

Key management personnel include:

- All directors or members of the governing body of the entity, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee.
- Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting entity being the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that members of management in their dealings with the municipality.

Remuneration of management includes remuneration derived for services provided to the Municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Municipality.

### 1.31 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.



# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

	2019 R	2018 R
<b>2. New standards and interpretations</b>		
<b>2.1 Standards and interpretations issued not yet effective</b>		
The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:		
<b>Standard/ Interpretation:</b>	<b>Effective date: Years beginning on or after</b>	<b>Expected impact:</b>
• GRAP 34: Separate Financial Statements	Unknown	Unlikely there will be a material impact
• GRAP 35: Consolidated Financial Statements	Unknown	Unlikely there will be a material impact
• GRAP 36: Investments in Associates and Joint Ventures	Unknown	Unlikely there will be a material impact
• GRAP 37: Joint Arrangements	Unknown	Unlikely there will be a material impact
• GRAP 38: Disclosure of Interests in Other Entities	Unknown	Unlikely there will be a material impact
• Guideline: Accounting for Arrangements Undertaken i.t.o the National Housing Programme	Unknown	Unlikely there will be a material impact
• GRAP 110 (as amended 2016): Living and Non-living Resources	01 April 2020	Unlikely there will be a material impact
• GRAP 18 (as amended 2016): Segment Reporting	01 April 2020	Not expected to impact results but may result in additional disclosure
• GRAP 20: Related parties	01 April 2019	Not expected to impact results but may result in additional disclosure
• GRAP 32: Service Concession Arrangements: Grantor	01 April 2019	Unlikely there will be a material impact
• GRAP 108: Statutory Receivables	01 April 2019	Not expected to impact results but may result in additional disclosure
• GRAP 109: Accounting by Principals and Agents	01 April 2019	Not expected to impact results but may result in additional disclosure
• IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	01 April 2019	Unlikely there will be a material impact
• IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land	01 April 2019	Unlikely there will be a material impact
• IGRAP 19: Liabilities to Pay Levies	01 April 2019	Unlikely there will be a material impact
• IGRAP 20: Accounting for adjustments to revenue	01 April 2020	Unlikely there will be a material impact

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

	2019 R	2018 R
<b>3. Inventories</b>		
Consumable stores	1,808,950	2,270,191
Maintenance materials	7,578,046	2,604,034
Water	903,530	644,355
	<b>10,290,526</b>	<b>5,518,580</b>
Dormant and slow moving stock at year-end	55,817	34,839
Inventories recognised as an expense during the year - warehouse inventory	23,638,655	13,986,889
Consumable stores materials surplusses identified during the annual stores count	448,834	104,993
<b>Inventory pledged as security</b>		
No inventory assets were pledged as security for liabilities.		
<b>4. Long-term investments and receivables</b>		
<b>At amortised cost</b>		
Fixed Deposits	34,491,331	32,358,328
Staff Housing Loans	3,866	3,866
Old Age Homes / Creche	426,245	426,245
Sundry deposits	6,800	6,800
Eastford Ridge Public Contributions	4,386	4,386
	<b>34,932,628</b>	<b>32,799,625</b>
Impairments	(434,497)	(434,497)
	<b>34,498,131</b>	<b>32,365,128</b>
<b>Non-current assets</b>		
At amortised cost	34,498,131	32,365,128

### Fixed Deposits

Included in Non-Current Investments is the Investec Fixed Deposit (Acc 021941420) of R 34,491,331 (2018: R 32,358,328) which have been pledged to DBSA as guarantees on external loans taken up. Refer to note 15. These loans are non-current and consequently it is highly unlikely that the Investment will be redeemable in the following financial year.

Investments are made in terms of the municipality's Cash Management and Investment Policy, as required by means of Regulation R 308 of 1 April 2005 gazetted in the Government Gazette No 27431 of 1 April 2005 and issued by the Minister of Finance.

### Staff Housing Loans

Staff housing loans are no longer granted. The outstanding amount relates to prior years and is impaired.

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

	2019 R	2018 R
<b>4. Long-term investments and receivables (continued)</b>		
<b>Old Age Homes / Creche</b>		
New loans are not granted to organisations. The loans are repayable over periods up to forty years at a rate of 1% per annum, with the last loan redeemable in 2032.		
<b>Eastford Ridge Public Contributions</b>		
The Home Owners Associations in Eastford agreed with the municipality to contribute an amount towards the cost of building a new road to their developments. The asset vests in the municipality. The agreement provides for a total cost to be contributed by the Associations over a period of maximum 3 years. The amounts stated above represents the balance of the contributions.		
<b>Financial assets at amortised cost impaired</b>		
The allowance for impairment on financial assets exists due to the possibility that not all these debts will be recovered. Financial assets and amortised cost were assessed individually and grouped together at the Statement of Financial position date as financial assets with similar credit risk characteristics and collectively assessed for impairment.		
As of 30 June 2019, financial assets of R 434,497 (2018: R 434,497) were impaired and provided for.		
<b>Reconciliation of provision for impairment of financial assets at amortised cost</b>		
Opening balance	434,497	426,245
Provision for impairment	-	8,252
	<b>434,497</b>	<b>434,497</b>
<b>5. Receivables from exchange transactions</b>		
<b>Gross balances</b>		
Electricity	36,533,909	36,223,811
Water	69,863,145	72,067,943
Sewerage	36,798,697	24,816,273
Refuse	33,621,304	26,300,178
Housing rental	6,961,093	6,878,261
Other (Sundry amounts)	7,700,968	6,696,620
	<b>191,479,116</b>	<b>172,983,086</b>
<b>Less: Allowance for impairment</b>		
Electricity	(7,432,808)	(8,377,319)
Water	(56,239,141)	(55,443,812)
Sewerage	(31,457,539)	(21,829,379)
Refuse	(29,483,506)	(23,414,986)
Housing rental	(5,832,622)	(5,768,149)
Other (Sundry amounts)	(6,750,516)	(5,899,478)
	<b>(137,196,132)</b>	<b>(120,733,123)</b>
<b>Net balance</b>		
Electricity	29,101,101	27,846,492
Water	13,624,004	16,624,131
Sewerage	5,341,158	2,986,894
Refuse	4,137,798	2,885,192
Housing rental	1,128,471	1,110,112
Other (Sundry amounts)	950,452	797,142
	<b>54,282,984</b>	<b>52,249,963</b>

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

	2019 R	2018 R
<b>5. Receivables from exchange transactions (continued)</b>		
<b>Electricity</b>		
Current (0 -30 days)	20,175,738	22,071,984
31 - 60 days	3,476,285	3,143,575
61 - 90 days	1,293,352	1,398,477
91+ days	11,588,534	9,609,776
Allowance for impairment	(7,432,808)	(8,377,320)
	<b>29,101,101</b>	<b>27,846,492</b>
<b>Water</b>		
Current (0 -30 days)	9,978,493	8,823,674
31 - 60 days	3,254,682	2,887,850
61 - 90 days	2,200,330	2,582,746
91+ days	54,429,640	57,773,673
Allowance for impairment	(56,239,141)	(55,443,812)
	<b>13,624,004</b>	<b>16,624,131</b>
<b>Sewerage</b>		
Current (0 -30 days)	2,219,352	1,387,682
31 - 60 days	975,951	400,833
61 - 90 days	851,516	701,089
91+ days	32,751,878	22,326,669
Allowance for impairment	(31,457,539)	(21,829,379)
	<b>5,341,158</b>	<b>2,986,894</b>
<b>Refuse</b>		
Current (0 -30 days)	1,779,439	1,471,812
31 - 60 days	722,230	561,450
61 - 90 days	598,785	521,729
91+ days	30,520,850	23,745,188
Allowance for impairment	(29,483,506)	(23,414,987)
	<b>4,137,798</b>	<b>2,885,192</b>
<b>Housing rental</b>		
Current (0 -30 days)	428,500	440,204
31 - 60 days	71,468	193,857
61 - 90 days	59,797	117,410
91+ days	6,401,328	6,126,790
Allowance for impairment	(5,832,622)	(5,768,149)
	<b>1,128,471</b>	<b>1,110,112</b>

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

	2019 R	2018 R
<b>5. Receivables from exchange transactions (continued)</b>		
<b>Other (sundry)</b>		
Current (0 -30 days)	543,180	381,708
31 - 60 days	191,490	119,811
61 - 90 days	103,002	167,500
91+ days	6,863,296	6,027,600
Allowance for impairment	(6,750,516)	(5,899,477)
	<b>950,452</b>	<b>797,142</b>
<b>Total</b>		
Current (0 -30 days)	35,124,702	34,577,064
31 - 60 days	8,692,106	7,307,376
61 - 90 days	5,106,782	5,488,951
91+ days	142,555,526	125,609,696
Allowance for impairment	(137,196,132)	(120,733,124)
	<b>54,282,984</b>	<b>52,249,963</b>

### Summary of debtors by customer classification

<b>30 June 2019</b>	Residential, Industrial & Commercial	Other debtors	National and Provincial Government	Total
Total receivables	185,684,237	2,667,697	3,127,182	191,479,116
Less: Allowance for impairment	(135,476,972)	(1,719,160)	-	(137,196,132)
	<b>50,207,265</b>	<b>948,537</b>	<b>3,127,182</b>	<b>54,282,984</b>
<b>30 June 2018</b>	Residential, Industrial & Commercial	Other debtors	National and Provincial Government	Total
Total receivables	167,897,118	2,372,298	2,713,670	172,983,086
Less: Allowance for impairment	(119,085,272)	(1,647,851)	-	(120,733,123)
	<b>48,811,846</b>	<b>724,447</b>	<b>2,713,670</b>	<b>52,249,963</b>

### Credit quality of receivables from exchange transactions

Consumer debtors are payable within 30 days. This credit period is considered to be consistent with the terms used in the public sector, through established practices and legislation.

Concentrations of credit risk with respect to trade receivables are limited due to the customer base being large and unrelated. The municipality's historical experience in collection of receivables transactions falls within recorded allowances. Accordingly, management believes no further credit provisions are required in excess of the present allowance for doubtful debts.

### Receivables from exchange transactions past due but not impaired

All services are payable within 30 days from the invoice date. At 30 June 2019, R 17,685,452 (2018: R 18,754,278) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	6,785,371	5,600,206
2 months past due	10,900,081	13,154,072

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

	2019 R	2018 R
<b>5. Receivables from exchange transactions (continued)</b>		
<b>Receivables from exchange transactions impaired</b>		
As of 30 June 2019, consumer debtors of R 137,196,132 (2018: R 120,733,123) were impaired and provided for.		
<b>Reconciliation of allowance for impairment of receivables from exchange transactions</b>		
Opening balance	(120,733,123)	(86,456,582)
Allowance for impairment	(16,463,009)	(34,276,541)
	<b>(137,196,132)</b>	<b>(120,733,123)</b>
<b>6. Receivables from non-exchange transactions</b>		
<b>Gross balances</b>		
Rates	75,319,205	64,305,965
Fines	143,326,222	120,815,791
Miscellaneous	2,311,850	2,191,632
	<b>220,957,277</b>	<b>187,313,388</b>
<b>Less: Allowance for impairment</b>		
Rates	(18,634,939)	(18,851,183)
Fines	(119,989,907)	(97,539,894)
	<b>(138,624,846)</b>	<b>(116,391,077)</b>
<b>Net balance</b>		
Rates	56,684,266	45,454,782
Fines	23,336,315	23,275,897
Miscellaneous	2,311,850	2,191,632
	<b>82,332,431</b>	<b>70,922,311</b>
<b>Ageing of receivables from non-exchange transactions:</b>		
<b>Rates</b>		
Current (0-30 days)	16,568,356	12,906,621
31 - 60 days	4,735,309	3,598,562
61 - 90 days	2,053,430	2,093,060
91+ days	51,962,110	45,707,722
	75,319,205	64,305,965
Less: Allowance for impairment	(18,634,939)	(18,851,183)
	<b>56,684,266</b>	<b>45,454,782</b>
<b>Fines and Other</b>		
Current (0-30 days)	9,741,400	8,242,382
31 - 60 days	6,966,300	6,844,650
61 - 90 days	8,006,100	5,540,650
91+ days	120,924,272	102,379,741
	145,638,072	123,007,423
Less: Allowance for impairment	(119,989,907)	(97,539,894)
	<b>25,648,165</b>	<b>25,467,529</b>

## Knysna Municipality

Annual Financial Statements for the year ended 30 June 2019

### Notes to the Annual Financial Statements

	2019 R	2018 R
<b>6. Receivables from non-exchange transactions (continued)</b>		
<b>Credit quality of receivables from non-exchange transactions</b>		
Consumer debtors are payable within 30 days. This credit period is considered to be consistent with the terms used in the public sector, through established practices and legislation.		
Concentrations of credit risk with respect to trade receivables are limited due to the customer base being large and unrelated. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Accordingly, management believes no further credit provisions are required in excess of the present allowance for doubtful debts.		
<b>Receivables from non-exchange transactions impaired</b>		
As of 30 June 2019, other receivables from non-exchange transactions of R 138,624,846 (2018: R 116,391,075) were impaired and provided for.		
<b>Reconciliation of provision for impairment of receivables from non-exchange transactions</b>		
Opening balance	116,391,075	123,930,367
Provision for Impairment	102,936,575	77,991,357
Amounts written off as uncollectible	(80,702,804)	(85,530,649)
	<b>138,624,846</b>	<b>116,391,075</b>
In terms of the requirements of GRAP 23 and IGRAP1, all fines issued during the year less any cancellations or reductions identified are recognised as revenue. The outstanding fine receivable balance at year end is reduced to its recoverable amount by recognising a provision for impairment against the receivable raised. The provision for impairment is based on current and past collection rates applicable to fines. Any fine reductions or cancellations subsequent to the financial year-end is recorded as a write off against the provision raised.		
All Non-Government debtors were either specifically impaired or subject to collective impairment.		
Debts are required to be settled after 30 days. Interest is charged on all classes of receivables except fines and other receivables at prime +1%.		
<b>7. VAT receivable</b>		
VAT	19,744,003	27,346,514
VAT payable	(20,512,350)	(16,503,281)
Less: Contribution to provision for impairment of trade receivables from exchange transactions	14,512,292	12,898,799
VAT receivable	18,656,113	13,285,119
Subtotal	12,656,055	9,680,637
VAT receivable / (payable) to the Receiver of Revenue - Refer to note 51	7,087,948	17,665,878
	<b>19,744,003</b>	<b>27,346,515</b>

VAT is payable on the payment basis. Only once payment is received from debtors is VAT paid over to SARS.

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

	2019 R	2018 R
<b>8. Unspent conditional grants and receipts</b>		
<b>Unspent Grants and receipts</b>		
National Government Grants	24,231,541	36,663
Provincial Government Grants	4,395,175	6,318,420
Unspent public contributions and donations: Knysna Fire Disaster Relief Fund	3,959,135	3,959,719
	<b>32,585,851</b>	<b>10,314,802</b>
<b>Less: Unpaid Grants</b>		
Provincial Government Grants	30,775,924	14,981,801
<b>Net unspent/(unpaid) conditional grants and receipts</b>	<b>1,809,927</b>	<b>(4,666,999)</b>
<b>Unspent and unpaid conditional grants and receipts comprises of:</b>		
<b>Unspent conditional grants and receipts</b>		
National: Municipal Infrastructure Grant (MIG)	8,458,344	-
National: Municipal Systems Improvement Grant (MSIG)	56,884	-
National: Integrated National Electrification Program Grant (INEP)	1,013,656	-
National: Neighbourhood Development Partnership Grant (NDPG)	14,702,657	36,663
Provincial: Integrated Housing and Human Settlement Grant (IHHS)	(30,775,924)	(14,981,801)
Provincial: Other Provincial Grants	4,395,175	6,318,420
Unspent public contributions and donations: Knysna Fire Disaster Relief Fund	3,959,135	3,959,719
	<b>1,809,927</b>	<b>(4,666,999)</b>

Unspent grants can mainly be attributed to projects that are work in progress on the relevant financial year-ends.

Also refer to appendix "B" for a reconciliation of grants from other sources. The Unspent Grants are cash-backed by term deposits. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised.



# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

	2019 R	2018 R
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### 8. Unspent conditional grants and receipts (continued)

#### Equitable share

Current year receipts	78,338,000	70,834,564
Conditions met - transferred to revenue - operating	(78,338,000)	(70,834,564)
	-	-

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.

#### National: Financial Management Grant (FMG)

Current year receipts	1,550,000	1,550,000
Conditions met - transferred to revenue - operating	(1,550,000)	(1,550,000)
	-	-

The FMG grant is a conditional grant to promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act (MFMA).

#### National: Municipal Infrastructure Grant (MIG)

Current year receipts	24,594,000	25,408,000
Conditions met - transferred to revenue - operating	(2,115,967)	(3,632,724)
Conditions met - transferred to revenue - capital	(14,019,689)	(21,775,276)
	8,458,344	-

The MIG grant is a conditional grant to provide specific capital finance for eradicating basic municipal infrastructure backlogs for poor households, micro enterprises and social institutions servicing poor communities.

#### National: Energy Efficiency and Demand Side Management Grant (EEDSMG)

Current year receipts	6,000,000	-
Conditions met - transferred to revenue - operating	(25,250)	-
Conditions met - transferred to revenue - capital	(5,917,866)	-
	56,884	-

The EEDSM grant is a conditional grant to focus on the determination of energy consumption baseline, supply and installation of energy efficient technologies within Municipal facilities.

#### National: Integrated National Electrification Program Grant (INEP)

Opening balance	-	283,670
Current year receipts	7,000,000	3,000,000
Conditions met - transferred to revenue - operating	(761,307)	(381,711)
Conditions met - transferred to revenue - capital	(5,225,037)	(2,618,289)
Adjustments	-	(283,670)
	1,013,656	-

The INEP grant is a conditional grant to provide capital subsidies to municipalities to address the electrification backlog of occupied residential dwellings and the installation of bulk infrastructure.

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

	2019 R	2018 R
<b>8. Unspent conditional grants and receipts (continued)</b>		
<b>National: Extended Public Works Program (EPWP)</b>		
Current year receipts	1,187,000	1,415,000
Conditions met - transferred to revenue - operating	(1,187,000)	(1,415,000)
	-	-

The EPWP grant is a conditional grant to incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in the identified focus areas in compliance with the EPWP guidelines.

<b>National: Neighbourhood Development Partnership Grant (NDPG)</b>		
Opening balance	36,663	45,894
Current year receipts	23,000,000	8,909,000
Conditions met - transferred to revenue - capital	(8,334,006)	(8,872,337)
Adjustments	-	(45,894)
	<b>14,702,657</b>	<b>36,663</b>

The NDPG grant is a conditional grant is to fund, support and facilitate the planning and development of neighbourhood development programmes and projects that will be catalysts for further development in these areas.

### Provincial: Integrated Housing and Human Settlement Grant (IHHS)

Opening balance	(14,981,799)	(17,338,737)
Current year receipts	34,823,791	47,023,615
Conditions met - transferred to revenue - operating	(40,647,529)	(18,215,105)
Conditions met - transferred to revenue - capital	(9,970,387)	(26,451,574)
	<b>(30,775,924)</b>	<b>(14,981,801)</b>

The housing allocation is a conditional grant to support the creation of sustainable human settlements that enables and improve quality of household life, provision of basic infrastructure, top structures and basic social and economic amenities.

### Provincial: Other Provincial Grants

Opening balance	6,318,420	3,327,265
Current year receipts	17,270,000	18,155,000
Conditions met - transferred to revenue - operating	(12,660,786)	(10,061,634)
Conditions met - transferred to revenue - capital	(6,397,578)	(5,102,211)
Adjustment	(134,881)	-
	<b>4,395,175</b>	<b>6,318,420</b>

The other provincial grants is mainly allocated to provide financial assistance to municipalities to improve overall financial governance within municipalities, improving credibility and responsiveness of municipal budgets, improving audit outcomes and addressing institutional challenges, to cover operational and capital costs pertaining to the line functions of CDW's, to ensure functional and compliant performance management systems. The unspent portion relates to conditions not yet met at year-end.

## Knysna Municipality

Annual Financial Statements for the year ended 30 June 2019

### Notes to the Annual Financial Statements

	2019 R	2018 R
<b>8. Unspent conditional grants and receipts (continued)</b>		
<b>Unspent public contributions and receipts: Knysna Fire Disaster Relief Fund</b>		
Opening balance	3,959,719	1,241,107
Current year receipts	-	2,719,809
Conditions met - transferred to revenue - Public contributions and donations	(584)	(1,197)
	<b>3,959,135</b>	<b>3,959,719</b>

The Knysna Fire Disaster Relief Fund was established in terms of Section 12 of the MFMA for the purpose of collection and allocation of funds donated in support of the devastating fires that have ravaged the greater Knysna area.

This fund is intended to address the short, medium and long-term needs and reconstruction requirements of Knysna for the benefit of all residents, communities, businesses and visitors. The donated monies is to be utilised to address humanitarian relief, trauma counselling, public works employment as part of the clean-up process, environmental management to, among other things, prevent mud slides and ensure rehabilitation, infrastructure, business support, economic development and reconstruction.

Applications for allocations from this fund will be evaluated by a working committee, established to assist the accounting officer.

This unspent public contributions and receipts is cash-backed by a separate bank account as stipulated in Sections 12(2) and (3) of the MFMA. Refer to note 9.

#### Total Grants and receipts

Opening balance	(4,666,999)	(12,440,801)
Current year receipts	193,792,791	179,014,988
Conditions met - transferred to revenue - operating	(137,315,839)	(106,090,738)
Conditions met - transferred to revenue - capital	(49,864,563)	(64,819,687)
Conditions met - transferred to revenue - Public contributions and donations	(584)	(1,197)
Adjustments	(134,881)	(329,564)
	<b>1,809,925</b>	<b>(4,666,999)</b>

#### Changes in levels of government grants

Based on the allocations set out in the Division of Revenue Act, no significant changes in the level of operating government grant funding are expected over the forthcoming 3 financial years. Capital grants are allocated annually in the Division of Revenue Act, and can change significantly.

#### 9. Cash and cash equivalents

Cash and cash equivalents consist of:

Short-term deposits	24,204,718	20,911,889
Bank balances	47,494,761	58,955,203
Cash on hand	9,550	9,950
	<b>71,709,029</b>	<b>79,877,042</b>

#### Facilities

A standing overdraft facility of R 5mil is part of the agreement with Nedbank Limited.

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

	2019 R	2018 R
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### 9. Cash and cash equivalents (continued)

#### Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings.

#### Credit rating

P-3 (Nedbank, ABSA, Standard Bank and Investec)	71,699,479	79,867,092
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#### Cash and cash equivalents pledged as collateral

Cash and cash equivalents to an amount of R 32,585,851 (2018: R 10,314,802) are held to fund the Unspent Conditional Grants. Refer to note 8.

Call Investment Deposits of R 11,856,922 (2018: R 11,118,139) have been pledged to DBSA as guarantees on external loans taken up. Refer to note 15.

#### Guarantees Issued

156,100	156,100
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#### The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2019	30 June 2018	30 June 2017	30 June 2019	30 June 2018	30 June 2017
Nedbank - Primary bank account - 162 656 1826	60,240,941	70,091,946	60,954,822	43,437,200	54,841,041	52,838,919
Nedbank - Secondary account - 162 656 1834	113,936	216,687	279,589	98,114	154,076	(24,457)
Nedbank - Tertiary account (SARS VAT receipts) - 162 657 1139	312	367	154	312	367	154
Nedbank - Knysna Fire Disaster Relief Fund - 114 792 0699	3,959,135	3,959,719	1,241,108	3,959,135	3,959,719	1,241,108
<b>Total</b>	<b>64,314,324</b>	<b>74,268,719</b>	<b>62,475,673</b>	<b>47,494,761</b>	<b>58,955,203</b>	<b>54,055,724</b>

#### Call Investment Deposits consist of the following accounts:

Nedbank - 03/7881531940/54 - Ceded DBSA	11,856,922	11,118,139
Nedbank - 03/7881068957/10	61,285	57,466
Nedbank - 03/7881150963/01	7,167,354	-
ABSA - 9328139285	-	9,735,778
Standard Bank - 288567420-020	5,118,617	-
Investec - 021941-501	540	506
	<b>24,204,718</b>	<b>20,911,889</b>

## Knysna Municipality

Annual Financial Statements for the year ended 30 June 2019

### Notes to the Annual Financial Statements

	2019 R	2018 R
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#### 10. Investment property

	2019			2018		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	173,343,900	(94,346,637)	78,997,263	173,343,900	(96,432,713)	76,911,187

#### Reconciliation of investment property - 2019

	Opening balance	Additions	Disposals	Reversal of impairments	Depreciation	Total
Investment property	76,911,187	-	-	2,242,608	(156,532)	78,997,263

#### Reconciliation of investment property - 2018 (Restated)

	Opening balance	Additions	Disposals	Depreciation	Total
Investment property	77,064,520	-	-	(153,333)	76,911,187

#### Investment property in the process of being constructed or developed

No investment property is in the process of being constructed or developed.

#### Amounts recognised in surplus or deficit

Rental revenue from Investment property	4,169,184	3,398,169
<b>From Investment property that generated rental revenue</b>		
Repairs and maintenance - Contracted services	85,362	224,693
Repairs and maintenance - Inventory consumed	189,454	1,284
Operational costs	31,691	3,432
	<b>306,507</b>	<b>229,409</b>

#### Other

The ownership of Erf 216/54 Brenton with a fair value of R10,831,000 is the subject of a legal dispute and according to the legal opinion obtained by the Municipality, ownership of this property vests with the Municipality. There are no other restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand

### 11. Property, plant and equipment

	2019		2018	
	Cost	Accumulated depreciation and - impairment	Carrying value	Cost
				Accumulated depreciation and - impairment
Land and buildings	353,499,073	(175,395,516)	178,103,557	353,171,871
Infrastructure	1,111,069,450	(293,182,191)	817,887,259	991,795,503
Community assets	88,796,791	(11,293,931)	77,502,860	64,902,919
Other assets	106,929,791	(44,824,783)	62,105,008	102,990,175
<b>Total</b>	<b>1,660,295,105</b>	<b>(524,696,421)</b>	<b>1,135,598,684</b>	<b>1,512,860,468</b>
				<b>(499,744,328)</b>
				<b>1,013,116,140</b>

### Reconciliation of property, plant and equipment - 2019

	Carrying Value	Cost	Accumulated Depreciation and Impairments						Carrying Value
	Opening balance	Additions	Disposals	Transfer to completed	IGRAP2 adjustment	Depreciation charge	Disposals - Depreciation	Impairment / Reversal of impairment	Closing balance
<b>Land and buildings</b>	<b>172,688,675</b>	<b>327,203</b>	-	-	-	<b>(548,561)</b>	-	<b>5,636,240</b>	<b>178,103,557</b>
Operational land	125,756,951	-	-	-	-	-	-	5,222,505	130,979,456
Operational buildings	36,097,203	176,482	-	-	-	(548,561)	-	413,735	36,138,859
Work in progress	10,834,521	150,721	-	-	-	-	-	-	10,985,242
<b>Infrastructure</b>	<b>722,927,471</b>	<b>119,103,222</b>	-	<b>(89,646)</b>	<b>260,371</b>	<b>(24,053,788)</b>	-	-	<b>817,887,259</b>
Electrical infrastructure	189,853,422	172,600	-	11,484,110	-	(5,700,358)	-	-	195,809,774
Information and communication infrastructure	666,423	308,562	-	-	-	(109,747)	-	-	865,238
Roads infrastructure	103,021,956	-	-	17,572,117	-	(5,061,107)	-	-	115,532,966
Sanitation infrastructure	146,544,863	-	-	5,415,204	-	(4,986,385)	-	-	146,973,682
Solid waste infrastructure	237,085	1,248,170	-	656,980	-	(16,570)	-	-	2,125,665
Storm water infrastructure	21,284,583	-	-	3,774,634	260,371	(697,461)	-	(260,371)	24,361,756
Water supply infrastructure	202,364,576	-	-	19,743,038	-	(7,482,160)	-	-	214,625,454
Work in progress	58,954,563	117,373,890	-	(58,735,729)	-	-	-	-	117,592,724

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand

### 11. Property, plant and equipment (continued)

Carrying Value		Cost		Accumulated Depreciation and Impairments						Carrying Value
Opening balance		Additions	Disposals	Transfer to completed	IGRAP2 adjustment	Depreciation charge	Disposals - Depreciation	Impairment / (Reversal of impairment)	IGRAP2 impairment	Closing balance
54,493,940	23,825,346	(21,120)	89,646	-	(1,016,178)	687	130,539	-	77,502,860	
34,783,709	10,866,552	(21,120)	2,687,234	-	(745,001)	687	110,156	-	47,682,217	
12,460,746	2,326,082	-	419,163	-	(271,177)	-	20,383	-	14,955,197	
7,249,485	10,632,712	-	(3,016,751)	-	-	-	-	-	14,865,446	
63,006,054	6,410,388	(2,470,774)	-	-	(6,810,880)	1,970,220	-	-	62,105,008	
6,059,027	1,408,497	(996,135)	-	-	(1,209,804)	869,320	-	-	6,130,905	
6,573,040	700,832	(466,735)	-	-	(1,471,744)	428,660	-	-	5,764,053	
11,611,879	1,105,871	(577,177)	-	-	(1,671,064)	508,770	-	-	10,978,279	
35,313,071	1,793,169	(430,727)	3,449,037	-	(2,458,268)	163,470	-	-	37,829,752	
3,449,037	1,402,019	-	(3,449,037)	-	-	-	-	-	1,402,019	
1,013,116,140	149,666,159	(2,491,894)	-	260,371	(32,429,407)	1,970,907	5,766,779	(260,371)	1,135,598,684	

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand

### 11. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2018 (Restated)

	Carrying Value	Cost		Accumulated Depreciation and Impairments					Carrying value	
		Opening balance	Additions	Disposals	Transfer to completed	IGRAP 2 adjustment	Depreciation charge	Disposals - Depreciation	Impairment	Closing balance
<b>Land and buildings</b>		<b>165,350,959</b>	<b>7,885,034</b>	-	-	-	<b>(547,318)</b>	-	-	<b>172,688,675</b>
Operational land		125,756,951	-	-	-	-	-	-	-	125,756,951
Operational buildings		36,319,596	105,437	-	219,488	-	(547,318)	-	-	36,097,203
Work in progress		3,274,412	7,779,597	-	(219,488)	-	-	-	-	10,834,521
<b>Infrastructure</b>		<b>645,616,915</b>	<b>99,296,464</b>	<b>(334,609)</b>	-	<b>713,733</b>	<b>(21,944,168)</b>	<b>292,869</b>	-	<b>722,927,471</b>
Electrical infrastructure		174,953,165	16,527,835	-	3,673,627	-	(5,301,205)	-	-	189,853,422
Information and communication infrastructure		319,439	416,271	-	-	-	(69,287)	-	-	666,423
Roads infrastructure		100,244,597	4,229,418	-	3,398,729	-	(4,850,788)	-	-	103,021,956
Sanitation infrastructure		128,730,242	8,585,822	(37,720)	13,796,281	-	(4,556,590)	26,828	-	146,544,863
Solid waste infrastructure		242,378	-	-	-	713,733	(5,293)	-	(713,733)	237,085
Storm water infrastructure		18,900,545	1,107,015	-	1,894,232	-	(617,209)	-	-	21,284,583
Water supply infrastructure		162,723,949	21,341,671	(296,889)	24,873,600	-	(6,543,796)	266,041	-	202,364,576
Work in progress		59,502,600	47,088,432	-	(47,636,469)	-	-	-	-	58,954,563
<b>Community assets</b>		<b>49,221,438</b>	<b>6,213,343</b>	-	-	-	<b>(940,841)</b>	-	-	<b>54,493,940</b>
Community facilities		32,905,530	1,076,824	-	1,503,095	-	(701,740)	-	-	34,783,709
Sport & recreational facilities		12,153,352	546,495	-	-	-	(239,101)	-	-	12,460,746
Work in progress		4,162,556	4,590,024	-	(1,503,095)	-	-	-	-	7,249,485
<b>Other assets</b>		<b>52,650,570</b>	<b>16,369,643</b>	<b>(2,598,023)</b>	-	-	<b>(5,932,064)</b>	<b>2,515,928</b>	-	<b>63,006,054</b>
Computer equipment		5,792,373	1,394,960	(53,493)	-	-	(1,086,089)	11,278	-	6,059,029
Furniture and office equipment		5,101,567	2,622,123	(1,682,474)	112,482	-	(1,261,236)	1,680,578	-	6,573,040
Machinery and equipment		9,853,702	3,234,673	(862,056)	-	-	(1,438,514)	824,072	-	11,611,877
Transport assets		30,967,580	5,668,850	-	822,866	-	(2,146,225)	-	-	35,313,071
Work in progress		935,348	3,449,037	-	(935,348)	-	-	-	-	3,449,037
		<b>912,839,882</b>	<b>129,764,484</b>	<b>(2,932,632)</b>	-	<b>713,733</b>	<b>(29,364,391)</b>	<b>2,808,797</b>	-	<b>1,013,116,140</b>



## Knysna Municipality

Annual Financial Statements for the year ended 30 June 2019

### Notes to the Annual Financial Statements

	2019 R	2018 R
<b>11. Property, plant and equipment (continued)</b>		
<b>Assets subject to finance lease and pledged as security</b>		
Furniture and office equipment	1,211,114	1,867,538
<b>Property, plant and equipment in the process of being constructed or developed:</b>		
<b>Cumulative expenditure recognised in the carrying value of property, plant and equipment</b>		
Buildings	10,985,242	10,834,521
Infrastructure	117,592,724	58,954,563
Community	14,865,446	7,249,485
Other property, plant and equipment	1,402,019	3,449,037
	<b>144,845,431</b>	<b>80,487,606</b>
Completed infrastructure of R 15 213 432 was incorrectly disclosed as work-in-progress in the previous financial year. The amount disclosed in the previous year financial statements of R 95 688 255 was restated to R 80 487 606.		
<b>Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected</b>		
Knysna Cemetery professional fees - Community asset	20,285	20,285
Still in progress of land identification.		
	<b>20,285</b>	<b>20,285</b>
<b>Carrying value of property, plant and equipment where construction or development has been halted either during the current or previous reporting period(s)</b>		
Greensite development and tipsite establishment - Infrastructure	198,140	198,140
This project is not completed due to the funds that were reallocated.		
No impairment loss has been recognised as the project will continue as and when funding becomes available.		
	<b>198,140</b>	<b>198,140</b>
<b>Expenditure incurred to repair and maintain property, plant and equipment</b>		
<b>Included in Statement of Financial Performance</b>		
Contracted services	44,118,565	46,413,342
Inventory consumed	12,547,486	10,771,887
Operational costs	5,016,425	2,324,757
	<b>61,682,476</b>	<b>59,509,986</b>

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

	2019 R	2018 R
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### 12. Intangible assets

	2019			2018		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software and website	184,239	(48,551)	135,688	238,247	(84,141)	154,106

#### Reconciliation of intangible assets - 2019

	Opening balance	Additions	Amortisation	Total
Computer software and website	154,106	-	(18,418)	135,688

#### Reconciliation of intangible assets - 2018

	Opening balance	Additions	Amortisation	Total
Computer software and website	169,904	-	(15,798)	154,106

#### Pledged as security

There are no intangible assets pledged as security for liabilities.

#### Intangible assets in the process of being constructed or developed

No intangible assets in the process of being constructed or developed.

#### Restricted title

There are no intangible assets whose title is restricted.

#### Other information

No intangible assets were assessed having an indefinite useful life.

There are no contractual commitments for the acquisition of intangible assets.

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

	2019 R	2018 R
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### 13. Heritage assets

	2019			2018		
	Cost	Accumulated impairment losses	Carrying value	Cost	Accumulated impairment losses	Carrying value
Land of historical significance and conservation areas	26,709,000	(11,263,000)	15,446,000	26,709,000	(11,998,000)	14,711,000
Historical buildings	2,393,952	(10,000)	2,383,952	2,393,952	(13,952)	2,380,000
Works of art	83,550	-	83,550	83,550	-	83,550
Historical monuments	18,871	-	18,871	18,871	-	18,871
Book collection of historical significance	241,625	-	241,625	241,625	-	241,625
<b>Total</b>	<b>29,446,998</b>	<b>(11,273,000)</b>	<b>18,173,998</b>	<b>29,446,998</b>	<b>(12,011,952)</b>	<b>17,435,046</b>

#### Reconciliation of heritage assets 2019

	Opening balance	Reversal of impairment	Total
Works of art	83,550	-	83,550
Historical monuments	18,871	-	18,871
Land of historical significance and conservation areas	14,711,000	735,000	15,446,000
Historical buildings	2,380,000	3,952	2,383,952
Book collection of historical significance	241,625	-	241,625
	<b>17,435,046</b>	<b>738,952</b>	<b>18,173,998</b>

#### Reconciliation of heritage assets 2018

	Opening balance	Total
Works of art	83,550	83,550
Historical monuments	18,871	18,871
Land of historical significance and conservation areas	14,711,000	14,711,000
Historical buildings	2,380,000	2,380,000
Book collection of historical significance	241,625	241,625
	<b>17,435,046</b>	<b>17,435,046</b>

#### Details of heritage assets

Heritage assets consist mainly of land, historical buildings and monuments older than 50 years.

There are no restrictions on the realisability of Heritage Assets or the remittance of revenue and proceeds of disposal.

There are no contractual obligations to purchase, construct or develop heritage assets or for repairs, maintenance or enhancements.

There are no heritage assets pledged as security for liabilities.

There are no third party payments received for losses and impairments incurred.

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

	2019 R	2018 R
<b>13. Heritage assets (continued)</b>		
<b>Heritage assets used for more than one purpose</b>		
The following heritage assets are used by the entity for more than one purpose:		
Erf 475 Knysna: Heritage tourism building	2,927,000	2,822,000
Erf 1003 Knysna: Old goal heritage building, museum and municipal offices	3,900,000	3,900,000
	<b>6,827,000</b>	<b>6,722,000</b>
<b>Heritage assets in the process of being constructed or developed</b>		
No heritage assets is in the process of being constructed or developed.		
<b>Expenditure incurred to repair and maintain heritage assets</b>		
<b>Expenditure incurred to repair and maintain heritage assets included in Statement of Financial Performance</b>		
Contracted services	77,820	89,509
Inventory Consumed	24,393	906
	<b>102,213</b>	<b>90,415</b>
<b>14. Operating lease asset (liability)</b>		
Non-current assets	2,060,278	1,913,910
Non-current liabilities	(109,445)	(5,975)
	<b>1,950,833</b>	<b>1,907,935</b>

Refer to note 42 for additional disclosure relating to the operating lease asset and accrual.

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

	2019 R	2018 R
<b>15. Long-term liabilities</b>		
<b>At amortised cost</b>		
Annuity loans	197,578,312	154,308,757
Local registered stock	-	710,520
	<b>197,578,312</b>	<b>155,019,277</b>
<b>Total long-term liabilities</b>	<b>197,578,312</b>	<b>155,019,277</b>
<b>Annuity loans</b>		
Annuity loans bear interest at rates between 7.93% and 11.69% per annum. Investec Fixed Deposit (Acc 021941420) of R 34,491,331 and the Call Investment Deposit of R11,856,922 have been pledged to DBSA as guarantees for external loans taken up. Refer to notes 4 and 9.		
<b>Local registered stock</b>		
The City of Tswane is the holder of the registered stock. The stock bears interest at 16.45% per annum. Interest associated with stock is paid on an annual basis and the face value of the stock will be fully redeemed on 31 December 2018.		
<b>Non-current liabilities</b>		
At amortised cost	173,816,114	136,080,282
<b>Current liabilities</b>		
At amortised cost	23,762,198	18,938,995
<b>16. Finance lease obligation</b>		
<b>Minimum lease payments due</b>		
- within one year	1,016,796	937,025
- in second to fifth year inclusive	423,665	1,310,888
	1,440,461	2,247,913
less: future finance charges	(124,204)	(309,214)
<b>Present value of minimum lease payments</b>	<b>1,316,257</b>	<b>1,938,699</b>
<b>Present value of minimum lease payments due</b>		
- within one year	905,263	740,843
- in second to fifth year inclusive	410,994	1,197,856
	<b>1,316,257</b>	<b>1,938,699</b>
<b>Non-current liabilities</b>	410,994	1,197,857
<b>Current liabilities</b>	905,263	740,842
	<b>1,316,257</b>	<b>1,938,699</b>

It is municipality policy to lease certain office equipment under finance leases. The office equipment is leased from Konica Minolta and Bytes.

The average lease term was 2-3 years and the effective borrowing rate was 10.50% to 12.50%.

Interest rates are fixed at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The maturity date of the leases is 30 November 2020.

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

	2019 R	2018 R
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### 16. Finance lease obligation (continued)

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 11.

### 17. Payables from exchange transactions

Accrued Interest on Loans	1,764,525	1,835,709
Trade payables	72,400,901	56,226,503
Payments received in advanced	14,867,255	14,038,210
Retentions	10,431,498	11,287,029
Hoarding fees	9,508,770	8,161,766
Other payables	2,604,322	128,545
Deposits: Other	208,970	93,275
	<b>111,786,241</b>	<b>91,771,037</b>

Payables are being paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary.

All payables are unsecured.

Included in other payables is unidentified traffic fines paid as well as group scheme accruals.

Other deposits include Hall and Tender Deposits.

### 18. Consumer deposits

Electricity	7,091,672	6,980,046
Water	5,560,497	5,154,784
Other deposits	166,272	132,148
Town Hall rental	105,920	121,098
	<b>12,924,361</b>	<b>12,388,076</b>

## Knysna Municipality

Annual Financial Statements for the year ended 30 June 2019

### Notes to the Annual Financial Statements

	2019 R	2018 R
<b>19. Employee benefit obligations</b>		
<b>The amounts recognised in the statement of financial position are as follows:</b>		
<b>Non-current liabilities</b>		
Post-Retirement Medical Aid benefits liability	87,477,761	88,750,641
Ex-gratia pension benefits liability	87,610	109,076
Long service awards	13,876,211	12,050,414
	<b>101,441,582</b>	<b>100,910,131</b>
<b>Current liabilities</b>		
Post-Retirement Medical Aid benefits liability	3,541,072	3,215,370
Ex-gratia pension benefits liability	11,052	21,360
Long service awards	1,030,118	1,800,714
Performance bonus	2,740,141	2,164,054
Staff annual bonus	5,869,179	5,414,475
Staff leave	19,800,491	17,027,198
	<b>32,992,053</b>	<b>29,643,171</b>
<b>Total liabilities</b>		
Post-Retirement Medical Aid benefits liability	91,018,833	91,966,011
Ex-gratia pension benefits liability	98,662	130,436
Long service awards	14,906,329	13,851,128
Performance bonus	2,740,141	2,164,054
Staff annual bonus	5,869,179	5,414,475
Staff leave	19,800,491	17,027,198
	<b>134,433,635</b>	<b>130,553,302</b>
<b>Post-retirement medical aid benefit liability</b>		
<b>The Post-retirement benefit plan is a wholly unfunded defined benefit plan, of which the members are made up as follows:</b>		
In-service (Employees) members	347	362
In-service (Employees) non-members	319	293
Continuation members	63	61
<b>Total members</b>	<b>729</b>	<b>716</b>
In-service members	44,503,502	50,908,093
Continuation members	45,790,064	39,600,913
Non-members	725,267	1,457,005
<b>Total unfunded liability</b>	<b>91,018,833</b>	<b>91,966,011</b>

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

- Bonitas
- LA Health
- Hosmed
- Keyhealth
- Samwumed

The Current-service cost for the year ending 30 June 2020 is estimated to be R 3 024 003 (2019: R 3 665 472) whereas the interest cost for the same year is estimated to be R 8 366 279 (2019: R8 641 764).

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

	2019 R	2018 R
<b>19. Employee benefit obligations (continued)</b>		
The principal assumptions used for the purposes of the actuarial valuations were as follows:		
i) Rate of interest		
Discount rate	9.37 %	9.56 %
Health care cost inflation rate	6.84 %	7.36 %
Net effective discount rate	2.37 %	2.06 %
Expected retirement age - females	62	63
Expected retirement age - males	62	63
The discount rate used is a composite of all government bonds and is calculated using a technique known as "bootstrapping".		
The discount rate was determined by deducing from the yield curve from the Bond Exchange of South Africa after the market closed at the reporting date.		
ii) Mortality rates		
Pre-retirement: SA 85-90 mortality table		
Post-retirement: PA (90) -1 ultimate mortality table		
iii) Normal retirement age		
It has been assumed that in-service members will retire at age 62, which then implicitly allows for expected rates of early and ill-health retirement.		
iv) Actuarial Valuation Method		
The Projected Unit Credit Method has been used to value the liabilities.		
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of unfunded obligations	91,018,833	91,966,011
Amounts recognised in the Statement of Financial Performance are as follows:		
Current service cost	3,665,472	3,794,512
Interest cost	8,641,764	8,834,390
Recognised actuarial losses / (gains)	(9,872,405)	(10,716,922)
	<b>2,434,831</b>	<b>1,911,980</b>
The movement in the defined benefit obligation over the year is as follows:		
Balance at the beginning of the year	91,966,011	93,082,249
- Current service cost	3,665,472	3,794,512
- Interest cost	8,641,764	8,834,390
- Actuarial losses / (gains)	(9,872,405)	(10,716,922)
- Benefits paid	(3,382,009)	(3,028,218)
Balance at the end of the year	<b>91,018,833</b>	<b>91,966,011</b>



# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

	2019 R	2018 R			
<b>19. Employee benefit obligations (continued)</b>					
The table below summarises the accrued liabilities for the current period and the previous four periods.					
<b>Liability History</b>	30 June 2015	30 June 2016	30 June 2017	30 June 2018	30 June 2019
Accrued liability	84,282,126	90,279,930	93,082,249	91,966,011	91,018,833
	<b>(84,282,126)</b>	<b>(90,279,930)</b>	<b>(93,082,249)</b>	<b>(91,966,011)</b>	<b>(91,018,833)</b>

The table below summarises the experience adjustments for the current period and the previous four periods. Experience adjustments are the effects of differences between the previous actuarial assumptions and what has actually occurred.

<b>Experience adjustments</b>	30 June 2015	30 June 2016	30 June 2017	30 June 2018	30 June 2019
Liabilities: (Gain) / Loss	(6,370,000)	(3,138,000)	5,862,000	(3,507,000)	(382,000)
	<b>(6,370,000)</b>	<b>(3,138,000)</b>	<b>5,862,000</b>	<b>(3,507,000)</b>	<b>(382,000)</b>

<b>Sensitivity analysis on the accrued liability</b>	Change	In-service	Continuation	Total	% change
Central assumptions		45,229,000	45,790,000	91,019,000	
Health care inflation	1 %	55,720,000	50,454,000	106,174,000	17 %
Health care inflation	(1)%	37,087,000	41,757,000	78,844,000	(13)%
Discount rate	1 %	37,317,000	41,877,000	79,194,000	(13)%
Discount rate	(1)%	55,552,000	50,383,000	105,935,000	16 %
Post-retirement mortality	-1 year	46,523,000	47,450,000	93,973,000	3 %
Average retirement age	-1 year	48,909,000	45,790,000	94,699,000	4 %
Continuation of membership at retirement	(10)%	38,657,000	45,790,000	84,447,000	(7)%

<b>Sensitivity analysis on current-service and interest cost</b>	Change	Current-service cost	Interest cost	Total	% change
Central assumptions		3,665,500	8,641,800	12,307,300	
Health care inflation	1 %	4,602,700	10,143,200	14,745,900	20 %
Health care inflation	(1)%	2,943,900	7,432,500	10,376,400	(16)%
Discount rate	1 %	2,989,300	8,244,400	11,233,700	(9)%
Discount rate	(1)%	4,549,000	9,065,900	13,614,900	11 %
Post-retirement mortality	-1 year	3,778,900	8,940,500	12,719,400	3 %
Average retirement age	-1 year	3,959,900	9,076,900	13,036,800	6 %
Continuation of membership at retirement	(10)%	3,186,700	8,050,200	11,236,900	(9)%

### Ex-gratia pension liability

The Ex-gratia pension benefit plan is a defined benefit plan. As at 30 June 2019, 1 pensioners (2018: 4) were eligible for payments in terms of this plan. In-Service members are not eligible.

There is no future-service costs as there are no current in-service members eligible for ex-gratia payments, whereas the interest cost for the year ending 30 June 2020 is estimated to be R 6 918 (2019: R9 597).

Pensioners	1	4
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The principal assumptions used for the purposes of the actuarial valuations were as follows:

i) Rate of interest		
Discount rate	7.42 %	8.00 %

The discount rate used is a composite of all government bonds and is calculated using a technique known as "bootstrapping".

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

	2019 R	2018 R
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### 19. Employee benefit obligations (continued)

The discount rate was determined by deducing from the yield curve from the Bond Exchange of South Africa after the market closed at the reporting date.

ii) Post-retirement: PA (90) -1 ultimate mortality table

iii) Actuarial valuation method

The Projected Unit Credit Method has been used to value the liabilities.

The amounts recognised in the Statement of Financial Position are as follows:

Post-Retirement Housing Subsidy obligation	98,662	130,436
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The amount recognised in the Statement of Financial Performance are as follows:

Interest cost	9,597	9,819
Recognised actuarial losses / (gains)	(21,729)	6,064
	<b>(12,132)</b>	<b>15,883</b>

The movement in the defined benefit obligation over the year is as follows:

Balance at the beginning of the year	130,436	135,913
Interest: Ex-Gratia	(5,948)	9,819
- Actuarial losses / (gains)	(21,729)	6,064
Ex-Gratia:Exp in Year	(19,642)	(21,360)
	<b>83,117</b>	<b>130,436</b>

The table below summarises the accrued liabilities for the current period and the previous four periods:

Liability History	30 June 2015	30 June 2016	30 June 2017	30 June 2018	30 June 2019
Accrued liability	183,383	172,862	135,913	130,436	98,662
<b>Surplus / (Deficit)</b>	<b>(183,383)</b>	<b>(172,862)</b>	<b>(135,913)</b>	<b>(130,436)</b>	<b>(98,662)</b>

The table below summarises the experience adjustments for the current period and the previous periods. Experience adjustments are the effects of differences between the previous actuarial assumptions and what has actually occurred.

Experience adjustment	30 June 2015	30 June 2016	30 June 2017	30 June 2018	30 June 2019
Liabilities: (Gain) / Loss	(30,590)	11,693	(23,010)	7,276	(30,379)
	<b>(30,590)</b>	<b>11,693</b>	<b>(23,010)</b>	<b>7,276</b>	<b>(30,379)</b>

#### Sensitivity analysis on the unfunded accrued liability

	Change	Total liability	% change
Central assumptions		98,662	
Discount rate	1 %	92,721	(6)%
Discount rate	(1)%	105,353	7 %
Post-retirement mortality	-1 year	101,102	2 %

#### Sensitivity analysis on the interest cost

	Change	Interest cost	% change
Central assumptions		9,597	
Discount rate	1 %	10,203	6 %
Discount rate	(1)%	8,913	(7)%
Post-retirement mortality	-1 year	9,933	4 %

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

	2019 R	2018 R
<b>19. Employee benefit obligations (continued)</b>		
<b>Long service awards</b>		
<p>The municipality's obligation for Long Service Awards is a defined benefit plan. This plan is wholly unfunded as no contributions are made by the municipality into funds that are legally separate from the municipality and from which the employee benefits are paid (each subsequent financial year's expected payments of long service bonuses are budgeted for).</p> <p>The municipality, in substance, underwrites the actuarial and investment risks associated with the plan. Consequently, the expense recognised for the defined benefit plan is the full additional liability accrued due to additional benefit entitlement. The municipality's net obligation in respect of the defined benefit long service allowances is the present value of the defined benefit obligation. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows of the benefits that will be paid to employees and using suitable interest rates.</p> <p>The calculation is performed by registered actuaries using the projected unit credit method. The most recent actuarial valuations of the present value of the defined benefit obligation were carried out at 30 June 2019.</p> <p>At year end, 666 (2018: 655) employees were eligible for Long-services awards.</p> <p>The future service cost for the ensuing year is estimated to be R 1 300 226 (2019: R 1,106,763), whereas the interest cost for the ensuing year is estimated to be R 1 187 988 (2019: R 1,117,960).</p> <p>The principal assumptions used for the purposes of the actuarial valuations were as follows:</p>		
i) Rate of interest		
Discount rate	8.25 %	8.62 %
General salary inflation (long-term)	5.60 %	6.21 %
Net effective discount rate	2.51 %	2.27 %
<p>The discount rate used is a composite of all government bonds and is calculated using a technique is known as "bootstrapping".</p> <p>The discount rate was determined by deducing from the yield curve from the Bond Exchange of South Africa after the market closed at the reporting date.</p>		
ii) Mortality rates		
Pre-retirement:	SA 85-90 (mixed) ultimate mortality table	
iii) Normal retirement age		
<p>It has been assumed that in-service members will retire at the average age of 62.</p> <p>The amounts recognised in the Statement of Financial Position are as follows:</p>		
Unfunded Long-Service Awards obligation	14,906,329	13,851,128
<p>Amounts recognised in the Statement of Financial Performance are as follows:</p>		
Current service cost	1,106,763	1,051,393
Interest cost	1,117,959	1,024,342
Recognised actuarial losses / (gains)	386,120	285,706
	<b>2,610,842</b>	<b>2,361,441</b>

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

	2019 R	2018 R
<b>19. Employee benefit obligations (continued)</b>		
The movement in the defined benefit obligation over the year is as follows:		
Balance at the beginning of the year	13,851,128	12,601,048
- Current service cost	1,106,763	1,051,393
- Interest cost	1,117,959	1,024,342
- Recognised actuarial losses / (gains)	386,121	285,706
Long Service:Exp in Year	(1,555,643)	(1,111,361)
	<b>14,906,328</b>	<b>13,851,128</b>

The table below summarises the accrued liabilities and the plan assets for the current period and the previous four periods:

Liability History	30 June 2015	30 June 2016	30 June 2017	30 June 2018	30 June 2019
Accrued Liability	11,616,858	12,282,188	12,601,046	13,851,126	14,906,329
<b>Surplus / (Deficit)</b>	<b>(11,616,858)</b>	<b>(12,282,188)</b>	<b>(12,601,046)</b>	<b>(13,851,126)</b>	<b>(14,906,329)</b>

The table below summarises the experience adjustments for the current and previous four periods. Experience adjustments are the effects of differences between the previous actuarial assumptions and what has actually occurred:

Experience adjustment	30 June 2015	30 June 2016	30 June 2017	30 June 2018	30 June 2019
Liabilities: (Gain) / Loss	213,298	(410,700)	(201,648)	507,158	299,587
	<b>213,298</b>	<b>(410,700)</b>	<b>(201,648)</b>	<b>507,158</b>	<b>299,587</b>

Sensitivity analysis on the unfunded accrued liability	Change	Liability	% change
Central assumptions		14,905,000	
General salary inflation	1 %	15,986,000	7 %
General salary inflation	(1)%	13,931,000	(7)%
Discount rate	1 %	13,902,000	(7)%
Discount rate	(1)%	16,038,000	8 %
Average retirement age	-2 years	13,177,000	(12)%
Average retirement age	+2 years	16,649,000	12 %
Withdrawal rates	(50)%	17,273,000	16 %

Sensitivity analysis on current-service and interest costs	Change	Current-service cost	Interest cost	Total	% change
Central assumptions		1,106,800	1,118,000	2,224,800	
General salary inflation	1 %	1,206,000	1,202,300	2,408,300	8 %
General salary inflation	(1)%	1,018,700	1,042,000	2,060,700	(7)%
Discount rate	1 %	1,026,000	1,160,600	2,186,600	(2)%
Discount rate	(1)%	1,199,000	1,066,300	2,265,300	2 %
Average retirement age	-2 years	991,300	981,100	1,972,400	(11)%
Average retirement age	+2 years	1,218,700	1,250,000	2,468,700	11 %
Withdrawal rates	(50)%	1,455,700	1,352,700	2,808,400	26 %

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

	2019 R	2018 R
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### 19. Employee benefit obligations (continued)

#### Multi-employer retirement benefit information

Both the Cape Joint Pension Fund and Cape Retirement Fund are multi-employer plans. This means that there are multiple local authorities that participate in these funds. In terms of GRAP 25, multi-employer plans are defined as defined benefit plans. GRAP 25 also states that when sufficient information is not available to use defined benefit accounting for a multi-employer plan, an entity will account for the plan as if it were a defined contribution plan.

The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP 25.

As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claims that the pensioner data is confidential and was not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.

Therefore, although the Cape Joint Retirement Fund is a Multi Employer fund defined as a defined benefit plan, it will be accounted for as a defined contribution plan.

#### LA Retirement Fund (previously the Cape Joint Defined Contribution Fund)

The Cape Joint Defined Benefit Fund's contribution rate payable is 9% by the members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2016 revealed that the fund is in a sound financial position with a funding level of 103%.

Contributions paid recognised in the Statements of Financial Performance	420,548	438,568
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#### Consolidated Retirement Fund for local government

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2016 revealed that the fund is in a sound financial position with a funding level of 118%.

Contributions paid recognised in the Statements of Financial Performance	22,110,610	20,456,412
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#### Absa Prudential Fund of Funds

Contributions are made to the Absa Prudential Fund of Funds. The fund is managed according to the guidelines as set out in regulation 28 of the Pension Funds Act 1956 and is suitable for retirement funds investments..

Contributions paid recognised in the Statements of Financial Performance	28,436	85,307
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#### Municipal Councillors Pension Fund

Council contribute to the Municipal Council Pension Fund which is a defined contribution fund. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

	2019 R	2018 R
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### 19. Employee benefit obligations (continued)

#### Performance bonuses

The movement on the performance bonus obligation consist of the following:

Balance at the beginning of the year	2,164,055	1,700,118
Additional performance bonus accrual recognised during the year	576,087	463,937
	<b>2,740,142</b>	<b>2,164,055</b>

Performance bonuses are paid to the municipal Manager and section 56 Directors after an evaluation of performance by the council.

#### Staff annual bonus

The movement on the annual bonus accrual consist of the following:

Balance at the beginning of the year	5,414,475	4,987,328
Payments	(10,268,801)	(9,419,710)
Additional bonus accrual recognised during the year	10,723,505	9,846,857
	<b>5,869,179</b>	<b>5,414,475</b>

Annual bonuses are paid to all staff during November of each year. There is no possibility of reimbursement.

#### Staff leave

The movement on the leave accrual consist of the following:

Balance at the beginning of the year	17,027,202	15,320,295
Payments	(1,461,828)	(1,522,128)
Additional staff leave accrual recognised during the year	4,235,121	3,229,035
	<b>19,800,495</b>	<b>17,027,202</b>

Staff leave accrues to employees according to a collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or resign. There is no possibility of reimbursement.

### 20. Provisions

#### Reconciliation of provisions - 2019

	Opening Balance	Utilised during the year	Unwinding of discount	iGrap2 Adjustment	Total
Landfill site	12,973,929	-	900,550	260,371	14,134,850

#### Reconciliation of provisions - 2018

	Opening Balance	Utilised during the year	Unwinding of discount	iGrap2 Adjustment	Total
Landfill site	11,839,510	(412,964)	833,650	713,733	12,973,929
Non-current liabilities				8,254,850	10,951,327
Current liabilities				5,880,000	2,022,602
				<b>14,134,850</b>	<b>12,973,929</b>

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

	2019 R	2018 R
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### 20. Provisions (continued)

#### Landfill sites

The provision is for the rehabilitation of 2 landfill sites and 2 refuse transfer stations. The municipality discontinued dumping waste within the municipal area and transport all waste to the Petro SA waste disposal site in Mossel Bay.

Rehabilitation cost was estimated using criteria for closure detailed in the Minimum Requirement for Waste Disposal by Landfill. Provision is made in terms of the municipality's licensing stipulations on the landfill waste sites, for the estimated cost of rehabilitating the waste sites. The provision has been determined on the basis of a recent independent study. The cost factors derived from the study by Aurecon South Africa (Pty) Ltd have been applied.

It is estimated that the rehabilitation process will be finalised in 2021 for the respective landfill sites.

The increase in the provision of the landfill site in the 2019 financial year is due to a new calculation obtained from engineers who calculated the estimate costs to rehabilitate the landfill site. The change in discount rates also impacted the IGRAP 2 adjustment.

The contribution to the provision is based on the average Consumer Price Index which is calculated at 4.64% (2018: 4.53%).

The cost as at 30 June 2018 has been escalated annually with the average Consumer Price Index until the estimated time of closure and discounted to present value using the relevant South African Government Bond rates. All other adjustments are in line with the provisions of IGRAP 2.

### 21. Service charges

Sale of electricity	241,187,384	226,407,354
Sale of water	68,834,711	70,460,158
Sewerage and sanitation charges	29,980,266	16,981,363
Refuse removal	22,100,452	21,259,895
	<b>362,102,813</b>	<b>335,108,770</b>

The amounts disclosed above for revenue from service charges are in respect of services rendered which are billed to the consumers on a monthly basis according to the approved tariffs.

### 22. Rental of facilities and equipment

#### Premises

Hire of halls	145,421	135,312
Investment property	4,169,184	3,398,169
	<b>4,314,605</b>	<b>3,533,481</b>

#### Facilities and equipment

Rental of equipment	46,762	48,831
Bulk containers	539,934	452,550
Caravan park	699,625	475,259
	<b>1,286,321</b>	<b>976,640</b>
	<b>5,600,926</b>	<b>4,510,121</b>

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

	2019 R	2018 R
<b>23. Operational revenue</b>		
Collection charges	138,293	187,958
Incidental cash surpluses	2,995	883
Merchandising, jobbing and contracts	175,835	141,468
Request for information - Municipal information and statistics	450,223	19,489
Skills development levy refund	429,005	353,467
Sundries	377,729	305,176
	<b>1,574,080</b>	<b>1,008,441</b>
<b>24. Property rates</b>		
<b>Rates received</b>		
<b>Rateable Land and Buildings</b>		
Residential	166,983,216	166,550,360
Commercial	20,126,562	26,710,045
State	6,406,448	(184,614)
Agricultural / Rural	882,784	1,170,208
Accommodation	25,636,158	22,998,574
Church	158,051	1,741,002
Light Industrial	3,865,470	4,634,441
Other - Pensioners etc.	1,827,477	1,989,614
<b>Rebates</b>		
Less: Income forgone / Rebates	(10,337,575)	(22,166,548)
	<b>215,548,591</b>	<b>203,443,082</b>
<b>Valuations (R'000)</b>		
Residential	22,170,833	21,794,246
Commercial	2,104,677	2,259,637
State	616,299	570,656
Municipal	395,517	376,602
Agricultural / Rural	527,831	670,031
Accommodation	2,020,831	1,875,581
Church	111,143	114,743
Light industrial	276,496	300,666
Other - Pensioners etc.	289,190	240,510
Public benefit and - infrastructure	76,814	28,952
	<b>28,589,631</b>	<b>28,231,624</b>

Assessment Rates are levied on the fair market value basis. The last valuation came into effect on 1 July 2017. Revaluations will be undertaken in terms of the Municipal Property Rates Act. Interim valuations are processed to take into account changes in individual property values due to alterations and subdivisions and also to accommodate growth in the rate base due mostly to private development.

A rate in the Rand for domestic properties of R 0.0072969 was charged on the total market value. Businesses were charged at a rate of R 0.0145948 on the total market value.

Properties used for domestic purposes and consisting of both land and improvements are subject to a R 100 000 valuation reduction. There are also different rebates and phased in tariffs for different sectors of the community. Interest on arrear accounts is charged at bank rate plus one percent.

Rates are levied monthly and payable by the last day of the following month. Interest is levied at the prime rate plus one percent on outstanding monthly installments.



# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

	2019 R	2018 R
<b>25. Government grants and subsidies</b>		
<b>Operating grants</b>		
Equitable share	78,338,000	70,834,564
National: Financial Management Grant (FMG)	1,550,000	1,550,000
National: Municipal Infrastructure Grant (MIG)	2,123,803	3,632,722
National: Energy Efficiency and Demand Side Management Grant (EEDSMG)	25,250	-
National: Integrated National Electrification Program Grant (INEP)	761,307	381,711
National: Extended Public Works Program (EPWP)	1,187,000	1,415,000
Provincial: Integrated Housing and Human Settlement Grant (IHHS)	40,647,529	18,215,104
Provincial: Other Provincial Grants	12,660,785	10,086,802
	<b>137,293,674</b>	<b>106,115,903</b>
<b>Capital grants</b>		
National: Municipal Infrastructure Grant (MIG)	14,011,853	21,775,277
National: Energy Efficiency and Demand Side Management Grant (EEDSMG)	5,917,866	-
National: Integrated National Electrification Program Grant (INEP)	5,225,037	2,618,289
Provincial: Integrated Housing and Human Settlement Grant (IHHS)	9,970,387	26,451,573
Provincial: Other Provincial Grants	6,397,578	5,102,211
National: Neighbourhood Development Partnership Grant (NDPG)	8,334,006	8,872,337
	<b>49,856,727</b>	<b>64,819,687</b>
	<b>187,150,401</b>	<b>170,935,590</b>
<b>Conditional and Unconditional</b>		
Included in above are the following grants and subsidies recognised:		
Conditional grants received	108,812,401	100,101,026
Unconditional grants received	78,338,000	70,834,564
	<b>187,150,401</b>	<b>170,935,590</b>
<b>Revenue recognised / expensed per vote as required by Section 123 (c) of the MFMA</b>		
Equitable share	78,338,000	70,834,564
Community Services	24,332,166	19,688,879
Electricity	11,929,459	3,000,000
Finance	3,738,215	3,906,036
Planning	51,804,917	46,081,677
Technical	17,007,644	27,424,434
	<b>187,150,401</b>	<b>170,935,590</b>
<b>Grants received per directorate during the year(Excluding equitable share)</b>		
Community services	38,211,000	20,944,000
Electricity	13,000,000	3,000,000
Finance	3,609,000	4,070,000
Planning	36,010,791	48,438,615
Technical	24,594,000	29,008,000
	<b>115,424,791</b>	<b>105,460,615</b>

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

	2019 R	2018 R
<b>26. Fines, penalties and forfeits</b>		
Traffic fines	116,246,149	88,074,336
Property rates penalties	4,916,947	4,579,522
Other fines	490,672	59,781
	<b>121,653,768</b>	<b>92,713,639</b>
<b>27. Public contributions and donations</b>		
Contributed property, plant and equipment	992,584	1,333,600
Knysna fire disaster relief fund	584	1,197
General public - Mayoral golf day	190,000	-
General public - Millwood museum	1,398	2,393
Public contributions and donations 6	30,000	-
	<b>1,214,566</b>	<b>1,337,190</b>
Conditions still to be met - remain liabilities (see note 8)		
<b>28. Employee related costs</b>		
Salaries and Wages	144,191,841	133,329,933
Contributions for UIF, Pensions and Medical Aids	40,145,501	37,620,530
Travel, motor car, accommodation, subsistence and other allowances	15,478,865	12,417,559
Housing benefits and allowances	2,543,123	2,818,999
Overtime payments	23,019,482	22,158,613
Performance bonuses	640,596	508,937
Bonus	10,658,996	9,801,857
Leave pay provision charge	4,235,123	3,229,025
Contribution to provision - Long-service awards	1,106,763	1,051,393
Contribution to provision - Post Retirement Medical	3,665,472	3,794,512
	<b>245,685,762</b>	<b>226,731,358</b>

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

	2019 R	2018 R
<b>28. Employee related costs (continued)</b>		
<b>Remuneration of the Municipal Manager:</b>		
<b>Remuneration of Municipal Manager - SW Vatala (April 2019 - June 2019)</b>		
Annual Remuneration	204,464	-
Car Allowance	66,000	-
Housing Allowance	18,000	-
Scarcity allowance	67,443	-
Contributions to UIF, Medical and Pension Funds	58,844	-
	<b>414,751</b>	<b>-</b>
<b>Remuneration of the previous Municipal Manager - JB Douglas (August 2018 - January 2019)</b>		
Annual Remuneration	575,000	-
Telephone allowance	10,000	-
Contributions to UIF, Medical and Pension Funds	6,594	-
	<b>591,594</b>	<b>-</b>
<b>Remuneration of previous Municipal Manager - KAM Chetty (July 2017 - August 2018)</b>		
Annual Remuneration	157,975	947,850
Car Allowance	15,000	90,000
Telephone allowance	12,000	72,000
Contributions to UIF, Medical and Pension Funds	35,909	199,184
	<b>220,884</b>	<b>1,309,034</b>
<b>Remuneration of the Acting Municipal Manager - M Boyce (July 2018 - August 2018)</b>		
Acting Allowance	4,985	-
<b>Remuneration of the Acting Municipal Manager - P Hariparsad (January 2019 - February 2019)</b>		
Acting Allowance	10,724	-
<b>Remuneration of the Acting Municipal Manager - POB Makoma (February 2019 - March 2019)</b>		
Acting Allowance	15,283	-

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

	2019 R	2018 R
<b>28. Employee related costs (continued)</b>		
<b>Remuneration of the Director Financial Services:</b>		
<b>Remuneration of the Director Financial Services - Mr M Memani</b>		
Annual Remuneration	809,119	714,153
Car Allowance	120,000	148,173
Bonuses	188,374	45,000
Telephone allowance	22,792	22,702
Contributions to UIF, Medical and Pension Funds	182,032	158,379
Scarcity Allowance	206,562	-
	<b>1,528,879</b>	<b>1,088,407</b>
 <b>Remuneration of the Director Planning and Development:</b>		
<b>Remuneration of the Director Planning and Development - Ms M Boyce (February 2017 - 30 June 2019)</b>		
Annual Remuneration	882,423	820,859
Car Allowance	60,000	60,000
Scarcity Allowance	206,562	-
Contributions to UIF, Medical and Pension Funds	231,748	204,550
Telephone allowance	22,792	22,702
	<b>1,403,525</b>	<b>1,108,111</b>
 <b>Remuneration of the Acting Director Planning and Development - E Phillips (August 2018 - September 2018)</b>		
Acting Allowance	4,916	-
 <b>Remuneration of the Director Technical Services:</b>		
<b>Remuneration of the Director Technical Services - P Hariparsad (From October 2018)</b>		
Annual Remuneration	709,943	-
Car Allowance	117,000	-
Scarcity Allowance	165,389	-
Contributions to UIF, Medical and Pension Funds	31,399	-
	<b>1,023,731</b>	<b>-</b>
 <b>Remuneration of the previous Director Technical Services - Mr M Rhode (July 2017 - May 2018)</b>		
Annual remuneration	-	1,178,630
Car allowance	-	57,200
Contributions to UIF, Medical and Pension Funds	-	1,785
Telephone allowance	-	21,699
	<b>-</b>	<b>1,259,314</b>
 <b>Remuneration of the previous Director Technical Services - Mr S Maree (June 2018 - September 2018)</b>		
Acting Allowance	-	32,841
 <b>Remuneration of the acting Director Technical Services - R Parry (June 2018 - September 2018)</b>		
	71,618	-

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

	2019 R	2018 R
<b>28. Employee related costs (continued)</b>		
<b>Remuneration of the Director Corporate Services:</b>		
<b>Remuneration of the Director Corporate Services - POB Makoma (September 2018 - 30 June 2019)</b>		
Annual Remuneration	684,440	-
Car Allowance	78,440	-
Scarcity Allowance	183,765	-
Contributions to UIF, Medical and Pension Funds	186,142	-
	<b>1,132,787</b>	<b>-</b>
<b>Remuneration of the Acting Director Corporate services - M Memani (July 2018 - August 2018)</b>		
Acting Allowance	13,436	-
<b>Remuneration of the Director Corporate services - C Mattheus (July 2017 - September 2017)</b>		
Acting Allowance	-	38,063
<b>Remuneration of the Director Corporate services - M Paulsen (September 2017 - February 2018)</b>		
Acting Allowance	-	47,643

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

	2019 R	2018 R
<b>28. Employee related costs (continued)</b>		
<b>Remuneration of the Director Community Services</b>		
<b>Remuneration of the Director Community Services - G Boshoff (October 2018 - March 2019)</b>		
Annual Remuneration	432,329	-
Car Allowance	27,083	-
Contributions to UIF, Medical and Pension Funds	17,843	-
	<b>477,255</b>	<b>-</b>
<b>Remuneration of the Director Community Services - Mr D Adonis (July 2017 - August 2017)</b>		
Annual Remuneration	-	147,062
Car Allowance	-	16,000
Contributions to UIF, Medical and Pension Funds	-	34,653
Telephone allowance	-	3,741
	<b>-</b>	<b>201,456</b>
<b>Remuneration of the Acting Director Community Services - E Phillips (March 2019 - June 2019)</b>		
Acting allowance	5,843	-
<b>Remuneration of the Acting Director Community Services - X Frans (July 2018 - September 2018)</b>		
Acting allowance	70,940	-
<b>Remuneration of the Acting Director Community Services - Mr S Langlands (August 2017 - November 2017)</b>		
Acting allowance	-	68,343
<b>Remuneration of the Acting Director Community Services - Mr R Meyer (July 2017 - October 2017) and (March 2018 to June 2018)</b>		
Acting allowance	22,419	182,478

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

	2019 R	2018 R
<b>29. Remuneration of councillors</b>		
Councillor - S Arends	35,639	614,733
Councillor - CD Croutz	298,752	292,677
Councillor - L Davis	428,923	614,733
Councillor - TM Gombo	401,698	359,284
Councillor - SI Kwinana	293,952	292,677
Councillor - MG Matiwane	299,752	292,677
Councillor - MV Molosi	29,947	292,677
Councillor - PJ Myers	655,684	414,754
Councillor - MN Naki	297,952	292,677
Councillor - D Pofadder	298,752	293,439
Councillor - MW Salaze	655,684	292,677
Councillor - MD Skosana	298,752	292,677
Councillor - ER Bouw - Spies	279,746	800,445
Councillor - NA Tsengwa	316,576	292,677
Councillor - L Tyokolo	293,952	292,677
Councillor - EO Van Aswegen	677,876	318,333
Councillor - V Waxa	122,007	505,278
Councillor - ACF Weideman	298,752	614,732
Councillor - M Willemse	866,349	328,946
Councillor - GR Wolmarans	665,646	677,531
Councillor - MH Young	123,636	292,677
Councillor - IS Uys	265,078	-
Councillor - TC Matika	201,739	-
Councillor - ML Wasserman	349,683	-
Councillor - SS Ngqezu	113,048	-
	<b>8,569,575</b>	<b>8,468,978</b>

### 2019 - Remuneration paid to councillors can be summarised as follows

	Annual Remunera- tion	Car Allowance	Telephone Allowance	Medical Aid	Pension	Total
Executive Mayor	620,812	206,937	38,600	-	-	866,349
Executive deputy mayor	487,011	158,197	36,000	-	4,762	685,970
Speaker	490,079	165,550	36,000	1,348	5,223	698,200
Mayoral Committee Members	1,744,478	201,930	142,900	14,373	121,446	2,225,127
Councillors	3,116,772	348,516	474,392	61,325	92,924	4,093,929
	<b>6,459,152</b>	<b>1,081,130</b>	<b>727,892</b>	<b>77,046</b>	<b>224,355</b>	<b>8,569,575</b>

### 2018 - Remuneration paid to councillors can be summarised as follows

	Annual Remunera- tion	Car Allowance	Telephone Allowance	Medical Aid	Pension	Total
Executive Mayor	563,642	198,978	40,800	33,294	-	836,714
Executive deputy mayor	233,810	10,612	15,662	-	-	260,084
Speaker	477,548	159,183	40,800	-	-	677,531
Mayoral Committee Members	1,853,366	223,400	184,187	40,110	236,810	2,537,873
Councillors	3,131,114	350,887	579,360	20,647	74,768	4,156,776
	<b>6,259,480</b>	<b>943,060</b>	<b>860,809</b>	<b>94,051</b>	<b>311,578</b>	<b>8,468,978</b>

## 30. Debt impairment

Impairment of Long-term investments and receivables	-	8,252
Receivables from exchange transactions - Refer to note 5	16,463,009	34,276,541
Receivables from non-exchange transactions - Refer to note 6	102,936,575	77,991,357
Contributions from Value Added Tax - Refer to note 7	(1,602,443)	(2,281,324)
	<b>117,797,141</b>	<b>109,994,826</b>

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

	2019 R	2018 R
<b>31. Depreciation and amortisation</b>		
Property, plant and equipment	32,429,415	29,364,389
Investment property	156,532	153,333
Intangible assets	18,418	15,799
	<b>32,604,365</b>	<b>29,533,521</b>
<b>32. Impairment of assets</b>		
<b>Impairments</b>		
Property, plant and equipment	260,370	713,733
<b>Reversal of Impairments</b>		
Property, plant and equipment	(5,766,779)	-
Investment property	(2,242,608)	-
Heritage assets	(738,952)	-
	<b>(8,748,339)</b>	<b>-</b>
<b>Total impairment losses (recognised) reversed</b>	<b>(8,487,969)</b>	<b>713,733</b>
The recoverable amount of previously impaired Property, Plant and Equipment, Investment properties and Heritage assets increased due to a 5% improvement in property market valuations. This resulted in the reversal of previously expensed impairment losses.		
<b>Impairment losses recognised</b>		
<b>Property, plant and equipment</b>		
Other assets - Tip sites	260,370	713,733
The recoverable amount of the asset was based on its value in use. The impairment loss recognised for Property, Plant and Equipment in the relates to rehabilitation cost associated with landfill sites capitalised in terms of IGRAP 2. The portion being impaired relates to the fact that all landfill sites in the municipality already reaching the end of its useful life. No further economic benefits is expected from these assets capitalised.		
<b>33. Finance costs</b>		
Annuity loans	14,088,782	14,542,745
Stock loans	-	116,881
Finance leases	238,617	162,927
Ex-Gratia Pension Funds	9,597	9,819
Landfill Sites	900,550	833,651
Long Service Awards	1,117,959	1,024,342
Post Retirement Medical Benefits	8,641,763	8,834,390
Other	38,890	31,894
	<b>25,036,158</b>	<b>25,556,649</b>
<b>34. Lease rentals from operating leases</b>		
Premises	5,850,013	5,024,236
Machinery and equipment operational hire charges	4,398,321	4,989,258
	<b>10,248,334</b>	<b>10,013,494</b>



# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

	2019 R	2018 R
<b>35. Bulk purchases</b>		
Electricity	169,553,269	154,943,871
<b>36. Contracted services</b>		
<b>Consultants and Professional Services</b>		
Business and Advisory: Project Management	2,462,122	3,583,555
Business and Advisory: Business and Financial Services	7,555,283	2,939,143
Business and Advisory: Valuer and Assessors	403,232	275,480
Business and Advisory: Other	6,942,513	1,658,077
Infrastructure and Planning: Engineering	9,187,589	5,412,477
Infrastructure and Planning: Other	2,710,363	498,825
Legal costs	6,439,111	2,803,699
Other	17,348	55,869
<b>Contractors</b>		
Building	36,596,734	16,064,518
Electrical	4,121,633	1,045,547
Tourism	3,002,164	3,501,144
Maintenance	39,621,873	44,589,318
Management of Informal Settlements	7,054,451	7,863,196
Prepaid Electricity Vendors	7,031,512	6,211,340
Sewerage Services	1,454,349	500,583
Other	6,088,819	2,154,213
<b>Outsourced Services</b>		
Administrative and Support Staff	5,058,571	2,439,869
Business and Advisory	2,315,699	2,540,660
Clearing and Grass Cutting Services	2,584,993	975,317
Internal Auditors	1,811,133	1,652,436
Meter Management	2,070,727	731,347
Refuse Removal	6,259,292	5,966,907
Security Services	8,490,579	4,757,034
Traffic Fines Management	2,520,439	2,868,526
Alien Vegetation Control	879,542	398,498
Litter Picking and Street Cleaning	3,167,893	27,900
Other	1,852,936	1,543,598
	<b>177,700,900</b>	<b>123,059,076</b>
<b>37. Transfers and subsidies</b>		
<b>Other subsidies</b>		
Grants-in-aid and donations	2,252,304	2,684,314
Bursaries	489,215	191,210
Social relief	1,409,646	1,847,260
	<b>4,151,165</b>	<b>4,722,784</b>
<b>38. Inventory consumed</b>		
Consumables - Standard rated	16,040,124	16,235,993
Consumables - Zero rated	9,040,392	7,231,044
Materials and supplies	18,009,294	25,842,593
	<b>43,089,810</b>	<b>49,309,630</b>

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

	2019 R	2018 R
<b>39. Operational costs</b>		
Advertising and media	1,946,973	1,897,707
Auditors remuneration	4,677,252	5,185,425
Bank charges	1,810,723	1,679,826
Commission paid	314,949	482,955
Clearing of alien vegetation	112,887	780,367
Delivery expenses	1,451,881	1,290,122
Entertainment	14,994	52,790
Hire	2,130,925	2,696,169
IT expenses	5,759,195	5,724,279
Insurance	3,750,275	4,453,967
Levies	2,449,382	2,201,515
Other expenses	4,703,098	2,703,672
Printing, publications and books	587,588	1,075,282
Staff related (recruitment, training, etc.)	2,598,153	2,564,598
Subscriptions and membership fees	4,748,581	4,954,843
Title deed search fees	94,296	502,348
Travel - local	2,142,196	1,805,547
	<b>39,293,348</b>	<b>40,051,412</b>

Other expenses largely include costs incurred relating to the Youth Advisory Centre and for ward committee support.

## 40. Cash generated from operations

Surplus	55,994,880	70,957,249
<b>Adjustments for:</b>		
Depreciation and amortisation	32,604,365	29,533,521
Loss / (gain) on sale of assets and liabilities	491,249	123,836
Impairment loss	(8,487,969)	713,733
Debt impairment	117,797,141	109,994,826
Movements in operating lease assets and accruals	(42,898)	(155,456)
Movements in employee benefit obligations	3,880,333	2,726,352
Movements in provisions (excluding IGRAP2 adjustment)	900,550	420,687
Bad debts written off	18,238,510	197,105
Public contributions and donations	(992,584)	(1,333,600)
Government grants and conditional public contributions received	193,627,325	178,709,395
Government grants recognised	(187,150,400)	(170,935,591)
<b>Changes in working capital:</b>		
Inventories	(4,771,940)	2,574,134
Receivables from exchange transactions	(35,355,027)	(36,486,607)
Other receivables from non-exchange transactions	(114,346,699)	(86,819,602)
Prepayments	(91,518)	(2,647,978)
Payables from exchange transactions	20,238,119	10,758
VAT	7,602,511	(9,845,048)
Consumer deposits	536,285	1,087,450
	<b>100,672,233</b>	<b>88,825,164</b>

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

	2019 R	2018 R
<b>41. Financial instruments disclosure</b>		
<b>Categories of financial instruments</b>		
<b>2019</b>		
<b>Financial assets</b>		
	At amortised cost	Total
<b>Long-term investments and receivables</b>		
Fixed deposits	34,491,331	34,491,331
Sundry deposits	6,800	6,800
<b>Receivables from exchange transactions</b>		
Service debtors	52,204,061	52,204,061
Housing rentals	1,128,471	1,128,471
Other debtors	950,452	950,452
Cash and cash equivalents	71,709,029	71,709,029
	<b>160,490,144</b>	<b>160,490,144</b>
<b>Financial liabilities</b>		
	At amortised cost	Total
<b>Other financial liabilities</b>		
Annuity loans	197,578,312	197,578,312
Trade and other payables from exchange transactions (Excl payments received in advance)	96,918,986	96,918,986
Consumer deposits	12,924,361	12,924,361
Finance lease obligation	1,316,257	1,316,257
	<b>308,737,916</b>	<b>308,737,916</b>
<b>2018</b>		
<b>Financial assets</b>		
	At amortised cost	Total
<b>Long-term investments and receivables</b>		
Fixed deposits	32,358,328	32,358,328
Sundry deposits	6,800	6,800
<b>Receivables from exchange transactions</b>		
Service debtors	50,342,709	50,342,709
Housing rentals	1,110,112	1,110,112
Other debtors	797,142	797,142
Cash and cash equivalents	79,877,042	79,877,042
	<b>164,492,133</b>	<b>164,492,133</b>

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

	2019 R	2018 R
<b>Financial instruments disclosure (continued)</b>		
<b>Financial liabilities</b>		
	At amortised cost	Total
<b>Other financial liabilities</b>		
Annuity loans	154,308,757	154,308,757
Local registered stock	710,520	710,520
Trade and other payables from exchange transactions (Excl payments received in advance)	77,732,827	77,732,827
Consumer deposits	12,388,076	12,388,076
Finance lease obligation	1,938,699	1,938,699
	<b>247,078,879</b>	<b>247,078,879</b>

The disclosure of the previous year was corrected to include the consumer deposits and finance lease obligation as part of the financial liabilities disclosure.

### 42. Commitments

#### Authorised capital expenditure

##### Already contracted for but not provided for

• Infrastructure	97,247,366	81,002,602
• Community	27,691,021	9,706,332
• Other Assets	3,572,713	-
	<b>128,511,100</b>	<b>90,708,934</b>

##### This expenditure will be financed from:

External loans	25,728,304	64,695,784
Government grants	101,305,288	2,346,598
Own resources	1,477,508	23,666,552
	<b>128,511,100</b>	<b>90,708,934</b>

The unspent amount on capital tenders awarded as at 30 June 2018 was incorrectly disclosed as part of the capital commitments in the previous year financial statements. Consequently the comparative disclosure for capital commitments was amended from the previous year disclosure.

The commitments are disclosed VAT exclusive.

#### Operating leases - as lessee (expense)

##### Minimum lease payments due

- within one year	3,102,435	3,453,147
- in second to fifth year inclusive	-	2,955,018
	<b>3,102,435</b>	<b>6,408,165</b>

The municipality also leases printers from Konica Minolta and Bytes, refer to note 16

The municipality did not pay any contingent rent during the year.

The municipality does not engage in any sub-lease arrangements.

Operating leases comparative figures are restated. In accordance with GRAP 3 the comparative disclosure was corrected to restate the minimum lease payments of R 309,706 as previously reported to the correct previous year minimum lease payments of R 6,408,165.

## Knysna Municipality

Annual Financial Statements for the year ended 30 June 2019

### Notes to the Annual Financial Statements

	2019 R	2018 R
<b>42. Commitments (continued)</b>		
<b>Operating leases - as lessor (income)</b>		
<b>Minimum lease payments due</b>		
- within one year	507,821	573,626
- in second to fifth year inclusive	531,316	873,511
- later than five years	11,127,024	11,263,325
	<b>12,166,161</b>	<b>12,710,462</b>

This lease income was determined from contracts that have a specific conditional contractual income. The leases are in respect of land and buildings being leased for periods ranging until 2088.

The municipality does not engage in any sub-lease arrangements. The municipality did not receive any contingent rent during the year.

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

	2019 R	2018 R
<b>43. Contingencies</b>		
<b>Contingent liabilities</b>		
The municipality is currently engaged in litigation which could result in damages / costs being awarded against Council if claimants are successful in their actions. The following are the estimates:		
<b>Claims against council</b>		
PL Bruwer vs The RAF and KM (Case no. 72310/2012) . The municipality is the second respondent in a claim for personal injury due to a road accident.	1,000,000	1,000,000
Thabo Pitsi Mabula vs KM and 1 other (Case no. 21933/16). This is a High Court litigious matter. Status: Plaintiff appointed an attorney of record.	20,500,000	20,500,000
KM vs Brenton Haven - Claim in terms of Services Agreement for municipal services provided. (excluding interest)	906,987	-
KM vs Erf 4970, Sedgefield Objections against approval of building plans	20,000	
Garth Bock vs KM - Alleged breach of contract in respect of the upgrading of the ablution facilities at the Homlee Sportsgrounds (Damages claim)	184,905	104,905
Thabo Pitsi Mabula vs KM and 1 other (Case no. 21937/16). This is a High Court litigious matter . Status: Plaintiff proceedings to trial.	21,400,000	21,400,000
Pierpont vs Knysna Municipality - This matter is pending and instructions are awaited from the Municipality	-	100,000
KM vs Erf 13193, Thesen Island Review Application i.t.o Rule 53. Review of Land Use Planning Approval of Departures and Approval of Building Plans.	150,000	
Aubrey Tsengwa vs KM and two others (LAC Case no. CA1/2016). This is a labour courtmatter against the Knysna Municipality. Status: Matter taken on appeal after KM was successful in opposing the Labour Court proceedings.	1,000,000	1,000,000
RDH Gebert & 8 others / Yo-Art Properties (Pty) Ltd vs Knysna Municipality- is pending and it is unclear whether it will proceed or not. Amount claimed in the Summons in the High Court matter.		2,607,000
RDH Gebert & 8 others / Yo-Art Properties (Pty) Ltd vs Knysna Municipality- This matter is pending and it is unclear whether it will proceed or not. Amount claimed in the Summons in the Regional Court matter.	-	339,332
Dr N Greve vs. M Mueller and KM (Interdict) - Dr Greve, as Applicant, sought an order interdicting the First Respondent from operating a guest house with the necessary consent.	230,000	220,000
Dr N Greve vs. M Mueller and KM (Review) - Dr Greve has sought to review the decision of KM in respect of their having granted the Second respondent consent to operate a guest house at his property.	-	295,000
Entsha Henra vs KM - The claimant had instituted arbitration proceedings seeking payments from KM in respect of time related vis-a vis works attended by them Tenders T15 and T18 of 2015	35,000	35,000
KM vs Ballack (Erf 4) - KM filed an application in the CT high court seeking an order against the owners of Erf 4, Knysna to demolish certain unlawful structures.	15,000	15,000
Thabo Pitsi Mabula vs KM and two others (LC Case no. 955/2015). This is a labour court matter against the KM.	1,000,000	1,000,000
Elegant Line Trading 329 CC vs KM - The plaintiff instituted action against KM claiming repayment for a payment that plaintiff had to make to obtain rates clearance certificate. Knysna Magistrates Court case no 912/16	-	133,922
Rotter vs KM - The plaintiff instituted action against KM for damages together with interest and costs resultant from injuries suffered after a manhole cover collapsed.	565,000	465,000
Gerald John and May vs Knysna Municipality - Matter has been settled and an order of the Court was agreed between the parties. Estimated settlement amount for legal fees.	-	50,000
KM vs Erf 3651, Sedgefield Demolition and/or removal of an illegal cellular communications base station and mast from Erf 3651, Sedgefield	500,000	-
KM vs M & N Pako Ref VC1517 Eviction of defendants from Hlalani	20,000	-
KM vs Collin Williams Ref: VC1538 Eviction from Oupad	30,000	-

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

	2019 R	2018 R
<b>43. Contingencies (continued)</b>		
Trackstar Trading Pty Ltd vs Knysna Municipality. KM refusal of Trackstar's LUPO application for rezoning, sub-division and departure	900,000	370,000
Leisure Isle Residents Association vs Knysna Municipality. KM responsible for repair and maintenance of the sea walls surrounding the suburb	-	100,000
KM vs Great Cormorant 169 Outstanding rates and taxes	135,000	-
D Adonis and 5 others vs Knysna Municipality (Labour court matter). Potential legal cost estimation for outstanding bonuses claimed against the municipality.	1,200,000	400,000
KM vs Radie Dippenaar Outstanding Medical Subscriptions	120,000	-
KM vs Erf 426 Boggomsbaai CC REF ES1179 Outstanding rates and taxes	158,980	-
KM vs Erf 426 Boggomsbaai CC REF ES1396	20,000	-
KM vs Fish Eagle Property Holdings (Pty) Ltd Ref ES1444 Long Outstanding debt	4,000	-
KM vs Marina REF: ES1645 Outstanding rates and taxes	65,000	-
KM vs CF & LM Guthrie Outstanding rates and taxes	65,000	-
KM vs John Mettelerkamp and Others	15,000	-
KM vs Dorothy Harker and other Eviction	150,000	-
KM vs Myles Bertrand Dent	70,000	-
KM vs Pezula HOA (Noetzie) - Dispute re ownership and control over public road	30,000	-
	<b>50,489,872</b>	<b>50,135,159</b>

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

	2019 R	2018 R
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### 44. Related parties

Relationships	
Councillors	Refer to the General information
Municipal Manager	Refer to the General information
Members of key management	Director Community Services Director Corporate Services Director Financial Services Director Planning and Development Director Technical Services

#### Related party transactions

##### Year ended 30 June 2019

	Rates levied	Service charges levied	Other charges levied	Outstanding balance at year end
Councillors	64,105	207,015	20,480	47,480
Municipal Manager and Section 56 Personnel	8,222	23,103	58,618	-
	<b>72,327</b>	<b>230,118</b>	<b>79,098</b>	<b>47,480</b>

##### Year ended 30 June 2018

	Rates levied	Service charges levied	Other charges levied	Outstanding balance at year end
Councillors	59,193	157,973	3,600	69,656
Municipal Manager and Section 56 Personnel	18,094	20,162	-	879
	<b>77,287</b>	<b>178,135</b>	<b>3,600</b>	<b>70,535</b>

Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents. All transactions are at arm's length.

The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related parties.

#### Related Party Loans

Since 1 July 2004 loans to councillors and senior management employees are not permitted. Loans granted prior to this date, together with the conditions, are disclosed in note 4 to the Annual Financial Statements.

#### Compensation of key management personnel

The compensation of key management personnel is set out in note 28 to the Annual Financial Statements.

#### Other Supply Chain Transactions

The following purchases were made during the year where Councillors or Staff have an interest:

Councillor/Staff member	Relationship	Entity	2019	2018
Mr. R Bouwer (Stores Clerk)	Father-in-law	JC Terblance t/a P&H Services	753,308	243,244
Ms. L Grobler (Customer care admin assistant)	Spouse	Q&E Carpet Cleaners Knysna	-	1,037
Ms. S Mtwa (Chief clerk: Administration)	Mother	LT Mtwa	4,250	-
Ms. E Van den Berg (Accountant - Meter reading)	Spouse	J T van den Berg	-	600
Ms. TS Guzana-Tsese (Senior Clerk: Records)	Spouse	Tsese Transport and Shuttle Services	7,300	6,000
Mr N Siyona (Supervisor: Roads)	Wife	Nokamboze	1,850	-
Ms. N Mlisana (Procurement Clerk)	Brother	Mtimkulu: S	91,300	6,600



# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

			2019 R	2018 R
<b>44. Related parties (continued)</b>				
<b>Councillor/Staff member</b>	<b>Relationship</b>	<b>Entity</b>	<b>2019</b>	<b>2018</b>
Mr. C Hardnick (Senior Supervisor - Parks)	Brother	FK Hardnick	11,000	27,000
Mr. FE Fredericks (Senior Fireman)	Father	D Fredericks	-	5,880
Ms. L Plaatjies (Network and system administrator)	Brother-in-law	MM Jantjies (Transport)	4,996	25,895
Mr. AP Goosen (Supervisor - Sewerage)	Brother	BB car wash	-	665
Ms. S Fourie (SCM clerk)	Uncle	Julyan D	5,700	49,500
Ms. LV Bruiners (Motor vehicle registration clerk)	Brother	Witbooi C	8,228	12,004
Mr. JN Williams (Senior Supervisor: Public Works)	Spouse	Hosteleria La Flora (Pty) Ltd	2,850	-
Mr. MJ Kalani	Business Partner	Mosdell Pama & Cox	1,093,734	272,312
Mr. S Mzondi (Traffic Officer)	Brother	African Compass Trading 3	1,373,170	346,200
Mr. E Phillips (Manager: IDP)	Spouse	Phillip: M	11,296	-
Mr. A Bans (Superintendent - Traffic)	Son	Tolo & Miles	1,732,334	2,752,397
Mr. Johannes Harker	Son	CA Harker T/A CA grasscutters	3,000	-
Mr. S Hendricks (Pre-paid water clerk: Public Works)	Son	Hendricks Construction	44,385	-
Ms. NV Dyani (General assistant)	Spouse	Siskonke CX Construction (Pty) Ltd	950	2,740
Mr. ME Gqotholo (Artisan: Electrician)	Spouse	Ambesa G Enterprises (Pty) Ltd	-	33,075
Ms. C Bezuidenhout (Chief Clerk: Procurement)	Spouse	W Bezuidenhout	-	12,950
Ms. E Petersen	Brother in Law	Thomas McCarthy	67,055	102,190
Ms. M Sass (Senior Clerk : Administration) and Mr. J Sass (General assistant)	Uncle	DJ Sass Construction	749,138	2,116,695
Ms. C Stroebel (Corporate: Receptionist)	Mother	Stroebel: BC	169,892	176,519
Mr. ET Prins (Member of the audit committee)	Company secretary	G7 Construction (Pty) Ltd	-	6,800
Mr. JN Williams (Senior Supervisor: Public Works)	Spouse	N Williams	-	8,755
Mr. MWL Spies (Senior Fireman)	Spouse	M and M Spies Funeral Directors (Pty) Ltd	-	3,000
			<b>6,135,736</b>	<b>6,212,058</b>

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

	2019 R		2018 R	
45. Prior period adjustments				
STATEMENT OF FINANCIAL POSITION	2018 previously reported	Reclassifi- cations	Adjustments of errors	2018 restated
<b>Assets</b>				
<b>Current Assets</b>				
Inventories	5,518,580	-	-	5,518,580
Receivables from exchange transactions (note 45.4)	52,099,027	-	150,935	52,249,962
Receivables from non-exchange transactions	70,922,311	-	-	70,922,311
Unpaid conditional grants and receipts	14,981,801	-	-	14,981,801
VAT receivable (note 45.5)	17,452,161	-	9,894,354	27,346,515
Prepayments	2,647,978	-	-	2,647,978
Cash and cash equivalents	79,877,042	-	-	79,877,042
	<b>243,498,900</b>	<b>-</b>	<b>10,045,289</b>	<b>253,544,189</b>
<b>Non-current Assets</b>				
Property, plant and equipment (note 45.2)	1,012,762,822	-	353,319	1,013,116,141
Investment property (note 45.1)	76,914,687	-	(3,500)	76,911,187
Intangible assets	154,106	-	-	154,106
Heritage assets	17,435,046	-	-	17,435,046
Long term investments and receivables	32,365,128	-	-	32,365,128
Operating lease asset	1,913,910	-	-	1,913,910
	<b>1,141,545,699</b>	<b>-</b>	<b>349,819</b>	<b>1,141,895,518</b>
<b>Total Assets</b>	<b>1,385,044,599</b>	<b>-</b>	<b>10,395,108</b>	<b>1,395,439,707</b>
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Long-term liabilities	18,938,995	-	-	18,938,995
Finance lease obligation	740,842	-	-	740,842
Payables from exchange transactions (note 45.3)	92,827,537	-	(1,056,503)	91,771,034
Consumer deposits	12,388,076	-	-	12,388,076
Employee benefit obligation	29,643,171	-	-	29,643,171
Provisions	2,022,602	-	-	2,022,602
Unspent conditional grants and receipts	10,314,802	-	-	10,314,802
	<b>166,876,025</b>	<b>-</b>	<b>(1,056,503)</b>	<b>165,819,522</b>
<b>Non-Current Liabilities</b>				
Long-term liabilities	136,080,282	-	-	136,080,282
Finance lease obligation	1,197,857	-	-	1,197,857
Operating lease liability	5,975	-	-	5,975
Employee benefit obligation	100,910,131	-	-	100,910,131
Provisions	10,951,327	-	-	10,951,327
	<b>249,145,572</b>	<b>-</b>	<b>-</b>	<b>249,145,572</b>
<b>Total Liabilities</b>	<b>416,021,597</b>	<b>-</b>	<b>(1,056,503)</b>	<b>414,965,094</b>
<b>Total Net Assets</b>	<b>969,023,002</b>	<b>-</b>	<b>11,451,611</b>	<b>980,474,613</b>
STATEMENT OF FINANCIAL POSITION (CONTINUED)				
	2018 previously reported	Reclassifi- cations	Adjustments of errors	2018 restated
<b>Net Assets</b>				
Capital Replacement Reserve	40,500,000	-	-	40,500,000
Accumulated surplus (Note 45)	928,523,002	-	11,451,611	939,974,613
	<b>969,023,002</b>	<b>-</b>	<b>11,451,611</b>	<b>980,474,613</b>
STATEMENT OF FINANCIAL PERFORMANCE				

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

		2019 R	2018 R
<b>45. Prior period adjustments (continued)</b>			
	<b>2018 previously reported</b>	<b>Reclassifi- cations</b>	<b>Adjustments of errors</b>
<b>Revenue from exchange transactions</b>	<b>375,561,250</b>	<b>-</b>	<b>(2,393)</b>
Service charges	335,108,770	-	-
Rental of facilities and equipment	4,510,121	-	-
Interest received - outstanding debtors	10,544,572	-	-
Interest received - external investments	10,301,782	-	-
Agency services	3,095,516	-	-
Licences and permits	1,671,679	-	-
Third party payments (Insurance claims)	4,113,929	-	-
Operational revenue	1,010,834	-	(2,393)
Sales of goods and rendering of services	5,204,047	-	-
<b>Revenue from non-exchange transactions</b>	<b>478,852,260</b>	<b>-</b>	<b>2,393</b>
Property rates	203,443,082	-	-
Government grants and subsidies	170,935,590	-	-
Public contributions and donations	1,334,797	-	2,393
Fines, penalties and forfeits	92,713,639	-	-
Actuarial Gains	10,425,152	-	-
	<b>854,413,510</b>	<b>-</b>	<b>-</b>
<b>Expenditure</b>			
Employee related cost	226,731,358	-	-
Remuneration of councillors	8,468,978	-	-
Loss on disposal of assets	123,836	-	-
Depreciation and amortisation (note 45.2)	29,048,559	-	484,962
Impairment of assets	713,733	-	-
Debt impairment	109,994,826	-	-
Finance cost	25,556,649	-	-
Lease rental on operating lease	10,013,494	-	-
Bulk purchases (note 45.5)	156,923,413	-	(1,979,543)
Contracted services (note 45.2, 45.3 & 45.5)	121,658,320	-	1,400,756
Transfers and subsidies	4,722,784	-	-
Bad debt written off	197,105	-	-
Operational costs (note 45.3 & 45.5)	42,239,106	-	(2,187,695)
Inventory consumed (note 45.3 & 45.5)	48,742,499	-	567,131
Inventory losses/write-downs	35,988	-	-
	<b>785,170,648</b>	<b>-</b>	<b>(1,714,389)</b>
<b>Surplus / (Deficit) for the year</b>	<b>69,242,862</b>	<b>-</b>	<b>1,714,389</b>
<b>CASH FLOW STATEMENT</b>	<b>2018 previously reported</b>	<b>Reclassifi- cations</b>	<b>Adjustments of errors</b>
Net cash from operating activities	88,727,164	-	98,000
Net cash from investing activities	(128,035,368)	-	(98,000)
Net cash from financing activities	10,972,307	-	-
Total cash movement for the year	(28,335,897)	-	-
Cash and cash equivalents at the beginning of the year	108,212,939	-	-
	<b>79,877,042</b>	<b>-</b>	<b>-</b>

### 45.1 Corrections to Investment property

The following retrospective restatements were made to Investment Property:

- Overstatement of Investment property to the value of R 3 500 due to a previous subdivision not recognised.

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

	2019 R	2018 R
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### 45. Prior period adjustments (continued)

#### 45.2 Corrections to Property, plant and equipment

The following retrospective restatements were made to Property, plant and equipment:

- Capital expenditure retention to the value of R 12 783 was incorrectly not recognised in the previous financial year.
- Disposal of land amounting to R 12 000 not recognised previously.
- Previous demolition of community facility to the value of R 149 522 not recognised.
- Containers to the value of R 85 217 incorrectly expensed as contracted services in the previous year.
- Property under municipal control (roads and public open space) of R 62 000 previously not recognised.
- Infrastructure to the value of R 15 213 432 completed in the previous year incorrectly recognised as part of work-in-progress. This resulted in the depreciation of R 287 659 incorrectly not recognised in the previous year.
- Solid waste infrastructure to the value of R 531 948 not in use was incorrectly recognised in the previous year.
- Prior period change in useful life estimates of other assets corrected, resulting in an increase of R 1 174 448 to the carrying value of Property, plant and equipment.

#### 45.3 Corrections to Payables from exchange transactions

The following retrospective restatements were made to Payables from exchange transactions:

- Increase due to a retention of R 12 783 incorrectly not recognised in the previous year.
- Other payables accounts incorrectly not cleared resulting in an increase to the value of R 452 668.
- Decrease of R 1 744 885 due to provincial traffic fines incorrectly recognised as part of unallocated deposits.
- Debtors amounting to R 222 931 incorrectly recognised as part of payables in the previous year.

#### 45.4 Corrections to Receivables from exchange transactions

The following retrospective restatements were made to Receivables from exchange transactions:

- Overstatement of receivables from exchange transactions by R 71 996 due to other payables incorrectly not cleared previously.

#### 45.5 Corrections to VAT receivable

The following retrospective restatements were made to VAT receivable:

- Input VAT to the value of R 9 894 354 incorrectly not previously claimed

The effect of these prior period error corrections per line item are as follows:

#### Investment property

Balance previously reported

76,914,687

Previous subdivision not recognised

(3,500)

Restated balance as at 30 June 2018

76,911,187

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

	2019 R	2018 R
<b>45. Prior period adjustments (continued)</b>		
<b>Property, plant and equipment</b>		
Balance previously reported		1,012,762,822
Capital expenditure and retention incorrectly not recognised in the in the previous year - Community assets - Work in progress - Additions 2018		12,783
Disposal of land in previous years not recognised - Operational Land - Cost - Opening balance		(12,000)
Derecognition of Community facility demolished - Community assets - Community Facilities - Cost - Opening balance		(168,000)
Derecognition of Community facility demolished - Community assets - Community Facilities - Accumulated depreciation - Opening balance		16,799
Derecognition of Community facility demolished - Community assets - Community Facilities - Accumulated depreciation - Depreciation charge 2018		1,679
Containers incorrectly recognised as contracted services expenditure in the previous year - Other assets - Machinery and equipment - Cost - Additions 2018		85,217
Recognition of municipal property - roads and public open space portions - Land - Cost - Opening balance		62,000
Depreciation not charged on completed infrastructure projects - Electrical infrastructure - accumulated depreciation - depreciation charge 2018		(3,541)
Depreciation not charged on completed infrastructure projects - Sanitation infrastructure - accumulated depreciation - depreciation charge 2018		(164,637)
Depreciation not charged on completed infrastructure projects - Water infrastructure - accumulated depreciation - depreciation charge 2018		(119,481)
Derecognition of solid waste infrastructure not in use - Cost opening balance		(668,133)
Derecognition of solid waste infrastructure not in use - Accumulated depreciation opening balance		129,549
Derecognition of solid waste infrastructure not in use - Accumulated depreciation - Depreciation charge 2018		6,635
Prior period change in useful life estimates of other assets - Accumulated depreciation opening balance		1,380,066
Prior period change in useful life estimates of other assets - Depreciation charge 2018		(205,617)
<b>Restated balance as at 30 June 2018</b>		<b>1,013,116,141</b>
<b>Receivables from exchange transactions</b>		
Balance previously reported		52,099,027
Other payables incorrectly not cleared - Undefined deposits		(71,996)
Debtors incorrectly recognised as part of payables		222,931
<b>Restated balance as at 30 June 2018</b>		<b>52,249,962</b>
<b>Accumulated surplus / (Deficit) opening balance</b>		
Balance previously reported 1 July 2017		862,929,471
Previous subdivision of Investment Property not recognised		(3,500)
Disposal of land in previous years not recognised		(12,000)
Derecognition of Community facility demolished		(151,201)
Recognition of municipal property - roads and public open space portions - Land - Cost - Opening balance		62,000
Derecognition of solid waste infrastructure not in use		(538,583)
VAT not recognised in the previous year - previously not claimed		7,216,424
Provincial fines amounts receipted not included in revenue in prior years		1,744,885
Prior period change in useful life estimates of other assets		1,380,066
Other payables incorrectly not cleared - Advertising recoveries		39,130
<b>Restated balance as at 1 July 2017</b>		<b>872,666,692</b>
<b>VAT Receivable</b>		
Balance previously reported after reclassifications		17,452,161
VAT not recognised in the previous year - previously not claimed		9,894,354
<b>Restated balance as at 30 June 2018</b>		<b>27,346,515</b>

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

	2019 R	2018 R
<b>45. Prior period adjustments (continued)</b>		
<b>Payables from exchange transactions - Other payables</b>		
Balance previously reported		92,827,537
Capital expenditure and retention incorrectly not recognised in the in the previous year - Community assets - Work in progress - Additions 2018		12,783
Other payables incorrectly not cleared - Advertising recoveries		(217,401)
Other payables incorrectly not cleared - Expense not recognised		789,165
Other payables incorrectly not cleared - Undefined deposits		(119,096)
Debtors incorrectly recognised as part of payables		222,931
Provincial traffic fines incorrectly not previously recognised - receipts recognised as unallocated deposits		(1,744,885)
<b>Restated balance as at 30 June 2018</b>		<b>91,771,034</b>
<b>Bulk purchases</b>		
Balance previously reported		156,923,413
VAT not recognised in the previous year - previously not claimed		(1,979,543)
<b>Restated balance as at 30 June 2018</b>		<b>154,943,870</b>
<b>Inventory Consumed</b>		
Balance previously reported		48,742,499
Other payables incorrectly not cleared - Expense not recognised		789,165
VAT not recognised in the previous year - previously not claimed		(222,034)
<b>Restated balance as at 30 June 2018</b>		<b>49,309,630</b>
<b>Depreciation and amortisation</b>		
Balance previously reported		29,048,559
Derecognition of Community facilities - Community assets - Community Facilities - Accumulated depreciation - Depreciation charge 2018		(1,679)
Depreciation not charged on completed infrastructure projects		287,659
Derecognition of solid waste infrastructure not in use		(6,635)
Prior period change in useful life estimates of other assets - Depreciation		205,617
<b>Restated balance as at 30 June 2018</b>		<b>29,533,521</b>
<b>Contracted services</b>		
Balance previously reported after reclassifications		121,658,320
Contracted services: contractors expenditure recognised as infrastructure work in progress		(85,217)
Other payables incorrectly not cleared - Undefined deposits		(47,100)
Refuse removal outsourced services incorrectly recognised as operational cost		1,941,247
VAT not recognised in the previous year - previously not claimed		(408,174)
<b>Restated balance as at 30 June 2018</b>		<b>123,059,076</b>
<b>Operational costs</b>		
Balance previously reported after reclassifications		42,239,106
Other payables incorrectly not cleared - Advertising recoveries		(178,272)
Refuse removal outsourced services incorrectly recognised as operational cost		(1,941,247)
VAT not recognised in the previous year - previously not claimed		(68,176)
<b>Restated balance as at 30 June 2018</b>		<b>40,051,411</b>

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

	2019 R	2018 R
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### 46. Risk management

#### Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

#### Liquidity risk

Liquidity risk is the risk that the municipality will encounter difficulty in raising funds to meet commitments associated with financial liabilities.

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, the availability of funding from an adequate amount of committed credit facilities.

The financial liabilities of the municipality are backed by appropriate assets and it has adequate liquid resources. The Council monitors the cash projections and ensures that borrowing facilities are available to meet its cash requirements.

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances only due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 30 June 2019	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Long term liabilities:				
Annuity loans and local registered stock	43,332,425	36,661,195	93,590,294	122,603,264
Consumer Deposits	12,924,361	-	-	-
Trade and other payables	96,918,986	-	-	-
Finance lease obligation	1,016,796	423,665	-	-
At 30 June 2018	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Long term liabilities:				
Annuity loans and local registered stock	35,099,845	104,826,152	87,080,709	9,542,034
Consumer Deposits	12,388,076	-	-	-
Trade and other payables	77,732,827	-	-	-
Finance lease obligation	937,025	1,310,888	-	-

#### Credit risk

Credit risk is the risk that a counter party to a financial asset will fail to discharge an obligation and cause the Municipality to incur financial loss.

Credit risk arises mainly from cash and cash equivalents, instruments and deposits with banks and financial institutions, as well as credit exposures to consumer and grant debtors.

For banks and financial institutions, only reputable independently rated parties are accepted. Grants are receivable from higher order levels of government. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. This increases the credit risk in respect of consumer debtors. The risk of non- payment is managed on an ongoing basis and where practical, services are terminated and procedures applied to recover outstanding amounts owing and an appropriate level of impairment provision for default is maintained.

Credit risk consist mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

	2019 R	2018 R
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### 46. Risk management (continued)

Trade and other receivables are disclosed net after provisions are made for impairment and bad debts. Trade debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other receivables is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

All rates and services are payable within 30 days from invoice date. Refer to notes 6 and 5 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms.

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there is no expectation of counter party default.

Other Financial Assets and Other Debtors are individually evaluated annually at reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The maximum credit and interest risk exposure in respect of the relevant financial instruments are as follows:

Financial instrument	2019	2018
Receivables from exchange transactions	54,282,984	52,249,963
Cash and cash equivalents	71,709,029	79,877,042
Long-term investments and receivables	34,498,131	32,365,128
	<u>160,490,144</u>	<u>164,492,133</u>

### Market risk

#### Interest rate risk

The Municipality is exposed to interest rate risk due to the movements in long-term and short term interest rates.

This risk is managed on an ongoing basis by comparison between current market related rates and historical rates and adjustments made where considered necessary.

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The municipality did not hedge against any interest rate risks during the current year.

The potential impact on the entity's surplus for the year due to changes in interest rates are as follows:

1% (2018: 1%) Increase in interest rates	(922,928)	(435,347)
1% (2018: 1%) Decrease in interest rates	922,928	435,347



# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

	2019 R	2018 R
<b>47. Unauthorised expenditure</b>		
<b>Reconciliation of unauthorised expenditure</b>		
Opening balance	9,208,835	-
Unauthorised expenditure current year	-	9,208,835
Approved by Council	(9,208,835)	-
Unauthorised expenditure awaiting authorisation	-	<b>9,208,835</b>

The unauthorised expenditure relates to over expenditure of approved budgets per vote in total.

<b>Budget Comparison by Municipal Vote in total</b>	2019 (Actual)	2019 (Budget)	2019 (Variance)	2019 (Unauthorised)
Community services	278,316,647	291,101,894	(12,785,247)	-
Corporate services	39,543,772	43,631,807	(4,088,035)	-
Electrical services	238,135,126	246,072,874	(7,937,748)	-
Executive and Council	24,626,139	43,498,855	(18,872,716)	-
Financial services	83,108,683	86,394,179	(3,285,496)	-
Planning and development	91,967,325	125,923,219	(33,955,894)	-
Technical services	269,174,951	300,182,651	(31,007,700)	-
	<b>1,024,872,643</b>	<b>1,136,805,479</b>	<b>(111,932,836)</b>	<b>-</b>

<b>Budget Comparison by Municipal Vote - Operating Expenditure</b>	2019 (Actual)	2019 (Budget)	2019 (Variance)	2019 (Unauthorised)
Community services	248,580,969	244,813,397	3,767,572	-
Corporate services	39,452,485	43,176,807	(3,724,322)	-
Electrical services	212,878,622	216,143,676	(3,265,054)	-
Executive and Council	22,763,546	39,568,855	(16,805,309)	-
Financial services	81,040,068	84,234,179	(3,194,111)	-
Planning and development	82,809,723	110,690,152	(27,880,429)	-
Technical services	187,681,072	185,655,397	2,025,675	-
	<b>875,206,485</b>	<b>924,282,463</b>	<b>(49,075,978)</b>	<b>-</b>

<b>Budget Comparison by Municipal Vote - Capital Expenditure</b>	2019 (Actual)	2019 (Budget)	2019 (Variance)	2019 (Unauthorised)
Community services	29,735,678	46,288,497	(16,552,819)	-
Corporate services	91,287	455,000	(363,713)	-
Electrical services	25,256,504	29,929,198	(4,672,694)	-
Executive and Council	1,862,593	3,930,000	(2,067,407)	-
Financial services	2,068,615	2,160,000	(91,385)	-
Planning and development	9,157,602	15,233,067	(6,075,465)	-
Technical services	81,493,879	114,527,254	(33,033,375)	-
	<b>149,666,158</b>	<b>212,523,016</b>	<b>(62,856,858)</b>	<b>-</b>

Although community and technical services are overspent on operating expenditure, there is no unauthorised expenditure in terms of the MFMA definition of vote.

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

	2019 R	2018 R
<b>48. Fruitless and wasteful expenditure</b>		
<b>Reconciliation of fruitless and wasteful expenditure</b>		
Opening balance	199,850	123,897
Restatement of previous fruitless and wasteful	-	75,269
Fruitless and wasteful expenditure - current year	-	684
Amounts deemed irrecoverable - approved after year end	(146,633)	-
Fruitless and wasteful expenditure awaiting investigation	<b>53,217</b>	<b>199,850</b>

Bank charges on Nedfleet services of R 26 050 were incorrectly recognised in the previous year, the amount for the Nedfleet amounted to R 101 319. The total fruitless and wasteful expenditure reported in the previous financial year amounted to R 124 581. The comparative figure was corrected in the current year, resulting in the correct 2018 fruitless and wasteful expenditure of R 199 850 as reported above.

A full investigation was conducted by MPAC. After having considered the report on the investigation, MPAC resolved and made recommendation to council. Council resolved on the matters of fruitless and wasteful expenditure. The accounting officer was instructed to ensure consequence management. Letters of recovery and intention to proceed with disciplinary action have been sent to relevant employees.

<b>Details of current year fruitless and wasteful expenditure</b>	Disciplinary steps None	2019	2018
Interest on Telkom account		-	684

## 49. Irregular expenditure

<b>Reconciliation of irregular expenditure</b>		
Opening balance	30,580,381	11,683,763
Irregular expenditure written off by council	(28,374,324)	-
Irregular Expenditure - current year	4,677,360	18,896,618
Irregular expenditure amounts recoverable approved after year end	(4,243,162)	-
	<b>2,640,255</b>	<b>30,580,381</b>

Irregular expenditure of R 361 895 was not disclosed in the previous financial year. In accordance with GRAP 3 the comparative disclosure was corrected to restate the total irregular expenditure of R 30 218 486 as previously reported to the correct previous year irregular expenditure of R 30 580 381.

A full investigation was conducted by MPAC. After having considered the report on the investigation, MPAC resolved and made recommendation to council. Council resolved on the matters of irregular expenditure. The accounting officer was instructed to ensure consequence management. Letters of recovery and intention to proceed with disciplinary action have been sent to relevant employees. Tender expenditure exceeding the awarded amount without prior approval is currently under investigation.

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

	2019 R	2018 R
<b>49. Irregular expenditure (continued)</b>		
<b>Details of irregular expenditure – current year</b>		
	2019	2018
Previous tender lapsed	-	4,596,227
Extension of rental contract not in line with the regulations	-	3,747,973
Extension of tender contract value not approved by the BAC	-	1,344,349
Work performed outside of the tender scope	-	269,374
Splitting of quotations	-	190,904
Appointment in contravention with section 66 (3) of the MSA	-	72,116
Expenditure exceeding award without authorisation	-	29,431
Incorrect SCM processes followed	-	2,570,903
Reasons for deviation not in line with regulation 36	-	5,713,446
Valid deviation but requested after the fact	33,792	-
Deviation requested after the fact	2,822,360	-
Should have been treated as donation	30,000	-
Telkom account & Internet cost for Knysna Municipality but name was not yet changed from Knysna Tourism	7,380	-
Minor breach of SCM connectivity between bank and card machine	2,398	-
Application for deviation: impractical not done timeously	1,800	-
Splitting of orders	15,681	-
Approval for additional work requested after the fact	48,550	-
Use of quotation less than R2000 while there was a valid tender for repairs and maintenance of vehicles	3,940	-
Service provider was engaged outside SCM process	20,189	-
Tender expenditure exceeding the awarded amount without prior approval	1,691,280	361,895
	<b>4,677,370</b>	<b>18,896,618</b>
<b>50. Material losses</b>		
<b>Electricity distribution losses</b>		
Units purchased (Mwh)	178,816	179,158
Units lost during distribution (Mwh)	13,818	15,914
Percentage lost during distribution	7.73 %	8.88 %
<b>Water distribution losses</b>		
Mega litres purified	3,361	5,073
Mega litres lost during distribution	895	1,463
Percentage lost during distribution	26.63 %	28.84 %
There is no possibility of recovering any of the material losses.		
<b>51. Additional disclosure in terms of Municipal Finance Management Act</b>		
<b>Contributions to organised local government MFMA 125 (1) - SALGA contributions</b>		
Opening balance	273,627	273,627
Current year subscription / fee	2,288,398	2,171,537
Amount paid - current year	(2,288,398)	(2,171,537)
	<b>273,627</b>	<b>273,627</b>
<b>Audit fees - MFMA 125 (1)</b>		
Current year subscription / fee	5,328,473	5,093,437
Amount paid - current year	(5,328,473)	(5,093,437)
	-	-

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

	2019 R	2018 R
<b>51. Additional disclosure in terms of Municipal Finance Management Act (continued)</b>		
<b>PAYE and UIF - MFMA 125 (1)</b>		
Opening balance	29,359	29,359
Current year subscription / fee	34,759,802	33,385,102
Amount paid - current year	(34,752,277)	(33,385,102)
	<b>36,884</b>	<b>29,359</b>
<b>Pension and Medical Aid Deductions - MFMA 125 (1)</b>		
Current year subscription / fee	53,834,686	50,959,867
Amount paid - current year	(53,834,686)	(50,959,867)
	-	-
<b>VAT - MFMA 125 (1)</b>		
Opening balance	7,771,523	2,970,544
Amount received - prior year	(8,579,676)	(3,993,740)
Amount received - current year	(78,624,673)	(53,242,219)
Amount claimed - prior year	86,520,773	61,822,130
Corrections	-	214,808
	<b>7,087,947</b>	<b>7,771,523</b>

VAT output payables and VAT input receivables are shown in note 7.

All VAT returns have been submitted by the due date throughout the year.

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

	2019 R	2018 R
<b>51. Additional disclosure in terms of Municipal Finance Management Act (continued)</b>		
<b>Councillors' arrear consumer accounts - MFMA 124 (1)</b>		
The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2019:		
30 June 2019	Outstanding more than 90 days R	Total R
Arends S	11,591	11,591
Bouw-Spies E	6,860	6,860
Gombo E	3,756	3,756
Matika T	4,306	4,306
Ngqezu S	13,003	13,003
Pofadder D	9,264	9,264
Tswenga N A	3,651	3,651
Waxa V	1,462	1,462
	<b>53,893</b>	<b>53,893</b>
30 June 2018	Outstanding more than 90 days R	Total R
Bouw-Spies E	640	640
Gombo E	13,685	13,685
Pofadder D	21,027	21,027
Tswenga N A	11,811	11,811
Waxa V	1,872	1,872
	<b>49,035</b>	<b>49,035</b>
During the year the following Councillors' had arrear accounts outstanding for more than 90 days:		
30 June 2019	Highest outstanding amount	Aging (in days)
Arends S	10,535	>150 days
Bouw-Spies E	3,954	>150 days
Gombo E	3,756	>150 days
Matika T	4,306	>150 days
Ngqezu S	13,003	>150 days
Pofadder D	7,477	>150 days
Tswenga N A	3,651	>150 days
Waxa V	975	>150 days
	<b>47,657</b>	<b>-</b>
30 June 2018	Highest outstanding amount	Aging (in days)
Bouw-Spies E	91	>150 days
Gombo E	8,900	>150 days
Pofadder D	14,923	>150 days
Tswenga N A	6,909	>150 days
Waxa V	1,872	>150 days
	<b>32,695</b>	<b>-</b>

## Knysna Municipality

Annual Financial Statements for the year ended 30 June 2019

### Notes to the Annual Financial Statements

	2019 R	2018 R
<b>51. Additional disclosure in terms of Municipal Finance Management Act (continued)</b>		
<b>Supply chain management regulations</b>		
In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Accounting Officer and noted by Council. Deviations from the Supply Chain Management processes were identified for the following categories and have been approved by the Accounting Officer and reported to Council.		
Emergency - par 36 (1)(a) i	413,596	2,100,944
Single source or sole provider - par 36 (1)(a) ii	462,951	1,086,515
Impractical - par 36 (1)(a) v	9,174,827	15,713,412
	<b>10,051,374</b>	<b>18,900,871</b>
<b>52. Private Public Partnerships</b>		
Council has not entered into any private public partnerships during the financial year.		
<b>53. Statutory receivables</b>		
In accordance with the principles of GRAP 108, Statutory receivables of the municipality are classified as follows:		
<b>Taxes</b>		
VAT Receivable	19,744,003	17,452,161
<b>Receivables from Non-exchange transactions</b>		
Rates	56,684,266	45,454,782
Fines	23,336,315	23,275,897
	<b>99,764,584</b>	<b>86,182,840</b>

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

	2019 R	2018 R
<b>54. Budget differences</b>		
<b>Material differences between budget and actual amounts</b>		
<b>Statement of Financial Performance:</b>		
<b>54.1 Investment revenue</b>		
The lower interest revenue is mainly due to the lower interest rates on investments in the current year.		
<b>54.2 Transfers recognised - operational and capital</b>		
Conditional grant revenue recognition is based on conditions met for the expenditure against each grant and the following grants were received and rolled-over however not fully spent against total allocation, hence:		
1) R19 million under expenditure on operating Human Settlement grant from various project due to delays experienced with the contractor to commence the Project. Project is underway and will continue implementation in 2019-20 budget.		
2) Title deeds restoration included in the roll-over adjustments budget however not fully spent		
3) Fire truck disaster grant rolled-over but not fully spent. Delivery of fire trucks took place July 2019 and funds will be rolled over to 19-20 budget.		
<b>54.3 Other own revenue</b>		
Actual revenue from fines was more than expected.		
<b>54.4 Debt impairment</b>		
The variance relates to the increase in provision of fines.		
<b>54.5 Depreciation &amp; asset impairment</b>		
The variance is due to the reversal of the impairment of assets..		
<b>54.6 Finance costs</b>		
This is due to finance cost on employee benefit obligations per the actuary report being higher than anticipated.		
<b>54.7 Contracted Services</b>		
Contracted services under spent by R30 million mainly as a result of the following:		
1) R11 million from various Human settlement projects.		
2) Underspending of TRP grant, Electricity Repairs and Maintenance programs as well as various LED projects.		
<b>54.8 Other Expenditure</b>		
This variance is due to the approved water debt write off.		
<b>Statement of Financial Position:</b>		
<b>54.9 Cash</b>		
Cash was reduced to accommodate additional capital projects requirements funded through internal funds.		
<b>54.10 Other debtors</b>		
Actual revenue from fines was more than expected.		
<b>54.11 Inventory</b>		
More stock on hand at year end than anticipated.		

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

	2019 R	2018 R
<b>54. Budget differences (continued)</b>		
<b>54.12 Borrowing</b>		
Borrowing increases in order to accelerate projects that were budgeted as multiyear but can be completed and or fast tracked within the current financial year as well as approved roll-over projects.		
<b>54.13 Trade and other payables</b>		
Increase in payables and the unspent conditional grant at year end.		
<b>54.14 Provisions</b>		
This is due to finance cost on employee benefit obligations per the actuary report being higher than anticipated.		
<b>54.15 Reserves</b>		
This is due to the yearly contribution to Capital Replacement Reserve.		
<b>Cash Flow Statement</b>		
<b>54.16 Government grants and conditional receipts</b>		
Underspending on grants.		
<b>54.17 Interest received</b>		
The difference is the non-cash interest on debtors that was included in the budgeted amount.		
<b>54.18 Suppliers and employees</b>		
Underspending on operating and capital projects and savings on budgeted employee cost.		
<b>54.19 Non-current Investment</b>		
An increase in fixed deposits at year-end..		
<b>54.20 Capital assets</b>		
Underspending in capital projects.		
<b>54.21 Borrowings</b>		
The draw down was less due to projects not completed by year end.		



# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

	2019 R	2018 R
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### 54. Budget differences (continued)

#### Differences between budget and actual amounts basis of preparation and presentation

Differences were identified between the disclosure requirements in terms of GRAP and the reporting requirements in terms of National Treasury budget formats.

The following items are affected by these classification differences:

#### Statement of Financial Position

Consumer debtors in budget statements consist of service charges (water, sewerage, electricity, refuse and housing rentals)

Other debtors in the budgeted statements consist of other debtors as disclosed in receivables from exchange transactions, receivables from non-exchange transactions, VAT receivable, prepayments and unpaid conditional grants.

The budget formats does not allow for various sundry debtor balances to be disclosed separately. For this reason, afore mentioned are all incorporated under other debtors.

Long Term Receivables in budget statements also includes the Non-Current Operating Lease Asset.

Included in Trade and other payables per budget statement are Payables from Exchange Transactions, Unspent Conditional Government Grants and Receipts and VAT payable (if applicable).

Employee benefits and Provisions (current and non-current) are disclosed separately in the financial statements while these figures are aggregated in the budget statements as provisions.

Long term liabilities, Finance lease obligation and Operating lease liabilities are disclosed separately in the financial statements. The budget formats does not provide for Finance and Operating lease liabilities. Finance and Operating lease liabilities are disclosed as part of Borrowings in the budget statements.

Other non-current assets included the Heritage assets in the budget statement but is separately disclosed in the financial statements.

All other items are disclosed on a comparable basis.

#### Statement of Financial Performance

The statement of financial performance is comparable on a line by line basis except for the following items:

The budget statements does not provide for all the different revenue classifications per statement of financial performance. For this reason, all line items not specifically catered for is incorporated under the line item Other own revenue in the budget statement. Other own revenue per budget statement consist out of the following line items: Public Contributions and donations, Third Party Payments, Sale of goods and rendering of services, rental of facilities and equipment, Agency services, Licences and permits, Fines, penalties and forfeits, profit / loss on disposal of assets inventory adjustments and Operational revenue.

Employee related cost and actuarial gains and losses are aggregated in the budgeted statements, but disclosed separately in the statement of financial performance.

Depreciation and amortisation, Impairment losses and fair value adjustments on Investment property are disclosed separately in the financial statements while these figures are aggregated in the budget statements.

Debt impairment and bad debt written off are aggregated in the budgeted statements, but disclosed separately in the statement of financial performance.

Inventory consumed and bulk purchases as separately disclosed in the statement of financial performance is presented as materials and bulk purchases in the budgeted statements.

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

	2019 R	2018 R
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### 54. Budget differences (continued)

The budget statements does not provide for all the different expenditure classifications per statement of financial performance. For this reason, all line items not specifically catered for are incorporated under the line item Other Expenditure in the budget statements. Other Expenditure per budget statement consist of the following line items - Operational costs, Lease rentals on operating leases.

All other items are disclosed on a comparable basis.

#### Cash Flow Statement

The Cash Flow Statement is presented on a comparable basis, except for the following item:

The movement in Consumer deposits are disclosed as part of the financing activities for budget purposes while it is disclosed as part of operating activities in the financial statements.

#### Changes from the approved budget to the final budget

##### Revenue

Total adjustments are mainly as a result of the following:

- The Transfers recognised - operational: an additional amount was budgeted for:
  - Increase was mainly as a result of the roll-over of operational grants not fully spent in 2017-18 to 2018-19. These grants were: the Title deeds Restoration, Disaster grant for the Fire trucks acquisition, as well as Housing Homlee Project.

##### Expenditure

Total adjustments are mainly as a result of the following:

- Contracted Services were increased due to:
  - R 6.9 million moved from Other Materials to Contracted Services relating to Housing project.
  - R 6 million rolled-over from 18-19 financial year for the Title Deeds restoration project.
  - Security Services for Councilors.
  - Additional R 2 million for legal costs to deal with high court matters.
  - R 6 million for appointment of Red Ants for the removal of illegal land invasion.
  - R 2.5 million for Data cleansing project which was not fully funded by Province on capacity building grant..
  - R2.8 million requested for the Business Process project implemented by PwC as the capacity building grant was not sufficient.
- Other Expenditure was increased due to:
  - the water debt write off to the value of R 24 million,
  - increase in audit fees to the amount of R 4 million
- Debt Impairment decrease mainly due to the water debt write off to the value of R 24 million.

##### Capital budget

Total adjustments are mainly as a result of the following:

- Additional NDGP funding for the multi-purpose centre at White location.
- Additional funding for the upgrading of the Khayaletu library.
- Additional funding for the upgrade of the Knysna waterworks due to the project performing better than anticipated.
- Provincial funding for the bulk water pipe project.
- Increase in funding for the water management devices to improve water losses.

**APPENDIX A - Unaudited  
KNYSNA MUNICIPALITY  
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2019**

EXTERNAL LOANS	Rate	Loan Number	Original Loan Amount	Redeemable	Balance at 30 JUNE 2018	Received during the period	Accrued Interest	Redeemed during the period	Balance at 30 JUNE 2019
<b>LOCAL REGISTERED STOCK</b>									
Tswane City Council	16.45%		710,520	31/12/2018	710,520	-	-	(710,520)	-
<b>Total Long-term Loans</b>			710,520		710,520	-	-	(710,520)	-
<b>ANNUITY LOANS</b>									
ABSA	11.69%	Kwena Municipality 1	15,000,000	30/06/2028	11,508,492	-	-	(645,726)	10,860,765
ABSA	10.42%	Kwena Municipality 2	7,010,000	30/09/2028	5,455,903	-	6,863	(295,963)	5,159,277
ABSA	10.99%	Kwena Municipality 3	7,000,000	01/10/2028	5,622,549	-	7,647	(294,668)	5,320,233
ABSA	9.84%	Kwena Municipality 4	19,579,000	30/09/2029	15,047,711	-	-	(900,109)	14,247,601
ABSA	9.97%	Kwena Municipality 5	1,720,000	31/01/2022	1,498,460	-	12,668	(309,184)	1,176,608
ABSA	10.33%	Kwena Municipality 6	9,680,000	29/01/2027	9,475,458	-	27,720	(652,978)	8,794,760
DBSA	9.80%	1377/0101	11,339,800	30/06/2021	1,790,485	-	-	(696,832)	1,193,653
DBSA	10.17%	13963/101	5,077,667	30/06/2022	1,068,982	-	-	(267,246)	801,737
DBSA	10.25%	100253/1	6,898,760	30/06/2023	1,815,463	-	-	(363,093)	1,452,370
DBSA	9.80%	100939/1	8,594,807	30/06/2024	2,714,150	-	-	(452,358)	2,261,791
DBSA	8.80%	100939/2	1,911,374	30/06/2018	136,527	-	-	(136,527)	-
DBSA	8.90%	101431/1	9,360,257	31/12/2025	3,702,733	-	-	(493,698)	3,209,035
DBSA	8.90%	101431/2	1,500,330	31/12/2020	287,916	-	-	(107,166)	180,750
DBSA	8.65%	102328/1	5,388,431	30/06/2026	2,687,424	-	-	(335,928)	2,351,498
DBSA	8.89%	102328/2	1,741,830	30/09/2021	388,388	-	-	(122,129)	244,259
DBSA	10.25%	610069/07	8,000,000	29/09/2021	2,400,000	-	-	(900,000)	1,600,000
DBSA	10.30%	810083/2	6,245,000	31/12/2026	8,005,985	-	-	(708,586)	5,299,398
DBSA	9.32%	61007564	57,436,000	29/09/2029	-	57,436,000	-	-	57,436,000
INCA	7.93%	KNYS-00-0003	16,607,000	19/02/2027	12,944,619	-	-	(816,618)	12,028,201
Nedbank	11.05%	057831030811/02	14,960,000	17/06/2020	4,791,226	-	57,572	(1,790,389)	2,843,265
Nedbank	10.53%	057831030811/03	12,107,000	31/07/2029	10,883,299	-	-	(512,374)	10,170,925
Nedbank	10.11%	057831030811/04	2,050,000	31/07/2024	1,548,066	-	-	(178,610)	1,369,458
Nedbank	9.24%	7831030611/05	5,000,000	30/06/2023	5,000,000	-	-	(500,000)	4,500,000
Nedbank	9.52%	7831030611/06	20,424,087	30/06/2028	20,424,087	-	-	(1,021,204)	19,402,883
Standard Bank	10.26%	28188959/6	10,000,000	30/09/2020	3,500,232	-	-	(1,296,218)	2,204,014
Standard Bank	10.46%	61143480 (5)	2,800,000	23/05/2018	-	-	-	-	-
Standard Bank	10.59%	61143448 (6)	5,964,000	20/03/2019	921,006	-	-	(821,006)	-
Standard Bank	10.73%	82563586	2,020,000	29/12/2021	1,616,000	-	-	(404,000)	1,212,000
Standard Bank	11.02%	82563438	8,760,950	29/12/2026	7,884,855	-	-	(976,095)	6,908,760
Standard Bank	11.30%	82563616	14,352,000	29/12/2031	13,432,533	-	-	(959,467)	12,473,067
Standard Bank	9.20%	NEW	2,800,000	29/12/2023	-	2,800,000	-	-	2,800,000
<b>Total Annuity Loans</b>			305,106,293		154,306,769	60,236,000	112,270	(16,686,174)	197,678,315
<b>LEASE LIABILITY</b>									
Financa Leases					1,936,869	167,427	-	787,840	1,316,256
<b>Total Lease Liabilities</b>					1,936,869	167,427	-	787,840	1,316,256
<b>TOTAL EXTERNAL LOANS</b>					156,955,947	60,403,427	112,270	(16,778,855)	198,694,671

**APPENDIX B - Unaudited**  
**KNYSNA MUNICIPALITY**  
**DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003**

Grant Description	Balance 30 JUNE 2018	Contributions during the year	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	Year end Adjustment	Balance 30 JUNE 2019
	R	R	R	R	R	R
<b>UNSPENT/(UNPAID) CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS</b>						
Nat Grant - Equitable Share	-	78,338,000	(78,338,000)	-	-	-
Nat Grant - Integrated Electrification Program	-	-	-	-	-	-
Nat Grant - Local Government Finance Management Grant	-	7,000,000	(761,307)	(5,225,037)	-	1,013,657
Nat Grant - Municipal Infrastructure Grant	-	1,550,000	(1,550,000)	-	-	-
Nat Grant - Municipal System Improvements Grant	-	24,594,000	(2,115,966)	(14,019,690)	-	8,458,344
Nat Grant - Expanded Public Works Program (EPWP)	-	-	-	-	-	-
Nat Grant - Neighbourhood Development Partnership Grant (NDPG)	36,663	1,187,000	(1,187,000)	-	-	-
Nat Grant - Energy Efficiency and Demand Side Management Grant	-	23,000,000	-	(8,334,006)	-	14,702,657
Prov Grant - Community Development Worker (Operat)	-	6,000,000	(25,250)	(5,917,866)	-	56,884
Prov Grant - Library	4,385,141	-	-	-	-	-
Prov Grant - Integrated Housing & Human Settlement (LocGov&Hsg)	(14,981,800)	10,211,000	(8,985,497)	(5,610,644)	-	-
Prov Grant - Public Transport Facility (Trans PMW)	-	34,823,791	(40,647,529)	(9,970,387)	-	(30,775,925)
Prov Grant - Performance Management System (Management Support)	-	-	-	-	-	-
Prov Grant - Financial Management Grant (WC FMG)	374,881	2,059,000	(2,188,215)	-	(134,881)	110,785
Prov Grant - Main Roads Subsidy	-	-	(85,054)	-	-	(85,054)
Prov Grant - Public Transport - Nekkies Pedestrian Crossing	-	-	-	-	-	-
Prov Grant - Fire services	-	5,000,000	(1,402,019)	-	-	3,597,981
Prov Grant - Other	1,558,398	-	-	(786,934)	-	771,464
<b>Total</b>	<b>(8,626,716)</b>	<b>193,762,791</b>	<b>(137,285,838)</b>	<b>(49,864,563)</b>	<b>(134,881)</b>	<b>(2,149,206)</b>

**Appendix C - Unaudited**  
**Knysna Municipality**  
**National Treasury Appropriation Statements for the year ended 30 June 2019**  
**Revenue and Expenditure (Standard Classification)**

Description	2018/2019							2017/2018
	Original Budget	Budget Adjustments (i.e. MFMA s28)	Final adjustments budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	
<b>R,000</b>								<b>Restated Audited Outcome</b>
<b>Revenue - Standard</b>								
<i>Governance and administration</i>	259,538	6,479	266,017	262,436	-3,581	99%	101%	248,704
Executive and council	13,401	30	13,431	12,623	-808	94%	94%	13,277
Finance and administration	246,137	6,449	252,586	249,813	-2,773	99%	101%	235,427
Internal audit	-	-	-	-	-	-	-	-
<i>Community and public safety</i>	82,004	19,392	101,396	190,457	89,061	188%	232%	62,899
Community and social services	14,927	4,385	19,312	19,146	-166	99%	128%	12,076
Sport and recreation	2,024	-	2,024	2,794	770	138%	138%	1,123
Public safety	81	5,000	5,081	117,914	112,833	2321%	145573%	2,462
Housing	64,972	10,007	74,979	50,603	-24,376	67%	78%	47,238
Health	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>	128,614	11,000	139,614	9,645	-129,969	7%	7%	99,413
Planning and development	16,358	11,000	27,358	4,634	-22,724	17%	28%	6,152
Road transport	112,256	-	112,256	5,011	-107,245	4%	4%	93,261
Environmental protection	-	-	-	-	-	-	-	-
<i>Trading services</i>	497,754	10,127	507,881	487,427	-40,454	92%	94%	434,499
Energy sources	290,125	1,000	291,125	275,324	-15,801	95%	95%	240,935
Water management	116,878	-	116,878	104,836	-12,042	90%	90%	118,712
Waste water management	45,557	5,727	51,284	47,752	-3,532	93%	105%	36,336
Waste management	45,194	3,400	48,594	39,715	-8,879	82%	88%	38,516
<i>Other</i>	-	-	-	-	-	-	-	-
<b>Total Revenue - Standard</b>	<b>967,910</b>	<b>46,898</b>	<b>1,014,808</b>	<b>929,965</b>	<b>-84,843</b>	<b>92%</b>	<b>96%</b>	<b>845,516</b>
<b>Expenditure - Standard</b>								
<i>Governance and administration</i>	169,155	18,674	187,829	171,966	-15,863	92%	102%	140,617
Executive and council	31,055	-9,111	21,944	22,781	837	104%	73%	30,870
Finance and administration	132,662	27,303	159,965	149,185	-10,780	93%	112%	105,848
Internal audit	5,438	482	5,920	-	-5,920	0%	0%	3,900
<i>Community and public safety</i>	145,566	20,606	166,172	260,816	94,644	157%	179%	109,097
Community and social services	28,166	1,808	29,974	25,671	-4,303	86%	91%	23,010
Sport and recreation	17,982	390	18,372	16,968	-1,404	92%	94%	15,073
Public safety	25,971	9,721	35,692	157,471	121,779	441%	606%	31,501
Housing	88,612	8,287	96,899	55,110	-41,789	57%	60%	39,465
Health	4,835	620	5,455	5,596	141	103%	116%	47
<i>Economic and environmental services</i>	188,708	5,953	194,661	75,389	-119,272	39%	40%	175,316
Planning and development	29,149	1,348	30,497	18,542	-11,955	61%	57%	27,796
Road transport	153,054	4,229	157,283	54,442	-102,841	35%	36%	143,785
Environmental protection	6,505	378	6,883	4,405	-2,478	64%	68%	3,735
<i>Trading services</i>	374,835	-3,673	371,162	365,799	-5,363	99%	98%	351,244
Energy sources	215,027	-4,010	211,017	209,588	-1,429	99%	97%	175,010
Water management	55,248	1,798	57,046	72,131	15,085	126%	131%	83,045
Waste water management	54,693	-1,819	52,874	51,030	-1,844	97%	93%	47,081
Waste management	49,867	358	50,225	33,050	-17,175	66%	86%	46,108
<i>Other</i>	-	-	-	-	0	-	-	-
<b>Total Expenditure - Standard</b>	<b>878,264</b>	<b>41,560</b>	<b>919,824</b>	<b>873,970</b>	<b>-45,854</b>	<b>95%</b>	<b>100%</b>	<b>776,273</b>
<b>Surplus for the year</b>	<b>89,646</b>	<b>5,438</b>	<b>95,084</b>	<b>55,995</b>	<b>-39,859</b>	<b>59%</b>	<b>62%</b>	<b>89,243</b>

**Appendix C - Unaudited  
Knysna Municipality  
National Treasury Appropriation Statements for the year ended 30 June 2019  
Revenue and Expenditure (Municipal Vote Classification)**

Description  R,000	2018/2019							2017/2018
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
<b>Revenue by Vote</b>								
Vote 1 - Executive and Council	13,401	30	13,431	12,624	-807	94%	94%	13,278
Vote 2 - Corporate Services	4,417	5,059	9,478	3,990	-5,488	42%	90%	2,940
Vote 3 - Financial Services	237,581	1,390	238,971	236,828	-2,143	99%	100%	223,594
Vote 4 - Strategic Services	-	0	-	-	-	-	-	-
Vote 5 - Planning and Development	81,330	21,008	102,337	63,578	-38,759	62%	78%	59,985
Vote 6 - Community Services	177,306	13,544	190,850	185,171	-5,678	97%	104%	147,483
Vote 7 - Electrical Services	230,125	1,000	231,125	275,362	-15,763	95%	95%	242,367
Vote 8 - Technical Services	163,750	4,968	168,718	152,413	-16,305	90%	93%	154,321
<b>Total Revenue by Vote</b>	<b>967,909</b>	<b>46,998</b>	<b>1,014,907</b>	<b>929,967</b>	<b>-84,940</b>	<b>92%</b>	<b>96%</b>	<b>843,988</b>
<b>Expenditure by Vote to be appropriated</b>								
Vote 1 - Executive and Council	37,828	-8,685	29,144	22,781	-6,362	78%	60%	37,765
Vote 2 - Corporate Services	38,411	10,580	48,991	39,438	-9,552	81%	103%	30,529
Vote 3 - Financial Services	72,095	12,299	84,393	79,455	-4,938	94%	110%	58,867
Vote 4 - Strategic Services	-	0	-	-	-	-	-	-
Vote 5 - Planning and Development	101,277	9,470	110,747	82,800	-27,947	75%	82%	60,176
Vote 6 - Community Services	230,466	14,147	244,613	246,961	4,368	102%	106%	211,765
Vote 7 - Electrical Services	219,254	-2,973	216,281	212,866	-3,416	98%	97%	197,655
Vote 8 - Technical Services	178,933	6,720	185,653	187,652	1,998	101%	105%	175,416
<b>Total Expenditure by Vote</b>	<b>878,266</b>	<b>41,559</b>	<b>919,824</b>	<b>873,973</b>	<b>-45,851</b>	<b>95%</b>	<b>100%</b>	<b>772,173</b>
<b>Surplus for the year</b>	<b>89,643</b>	<b>5,440</b>	<b>95,083</b>	<b>55,994</b>	<b>-39,089</b>	<b>59%</b>	<b>62%</b>	<b>71,815</b>

**Appendix C - Unaudited  
Knysna Municipality  
National Treasury Appropriation Statements for the year ended 30 June 2019  
Revenue and Expenditure**

Description	2018/2019							2017/2018
	Original Budget	Budget Adjustments (i.e. MFMA s28)	Final adjustments budget after virements	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
<b>R,000</b>								
<b>Revenue By Source</b>								
Property rates	215,403	300	215,703	215,549	-155	100%	100%	203,443
Service charges	386,212	8,600	394,812	362,103	-32,709	92%	94%	335,109
Rental of facilities and equipment	6,657	-	6,657	5,601	-1,056	84%	84%	4,510
Interest earned - external investments	11,760	-	11,760	9,443	-2,317	80%	80%	10,302
Interest earned - outstanding debtors	12,074	-	12,074	11,838	-236	98%	98%	10,545
Dividends received	-	-	-	-	-	-	-	-
Fines, penalties and forfeits	110,597	-	110,597	121,054	11,057	110%	110%	92,714
Licences and permits	1,572	-	1,572	1,587	15	101%	101%	1,672
Agency services	2,909	-	2,909	3,297	388	113%	113%	3,096
Transfers recognised - operational	153,822	18,205	172,028	137,294	-34,734	80%	89%	106,116
Other revenue	12,543	-700	11,843	11,746	-97	99%	94%	11,664
Gains on disposal of PPE	1,000	-	1,000	-	-1,000	-	-	-
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>914,549</b>	<b>26,405</b>	<b>940,954</b>	<b>880,111</b>	<b>-60,844</b>	<b>94%</b>	<b>96%</b>	<b>779,169</b>
<b>Expenditure By Type</b>								
Employee related costs	254,199	-3,383	250,817	236,178	-14,639	94%	93%	226,731
Remuneration of councillors	8,653	699	9,351	8,570	-782	92%	99%	8,469
Debt impairment	108,875	-24,000	84,875	117,797	32,922	139%	108%	109,995
Depreciation & asset impairment	31,511	715	32,226	24,116	-8,109	75%	77%	30,247
Finance charges	14,395	-218	14,178	25,036	10,859	177%	174%	25,557
Bulk purchases	177,274	-7,346	169,928	160,663	-9,265	100%	96%	154,944
Other materials	50,169	-1,302	48,867	43,090	-5,777	88%	86%	49,310
Contracted services	172,445	43,896	216,341	177,701	-38,640	82%	103%	121,118
Transfers and subsidies	3,150	544	3,694	4,151	457	112%	132%	4,723
Other expenditure	57,594	32,553	90,147	67,780	-22,367	75%	118%	52,203
Loss on disposal of PPE	-	-	-	-	-	-	-	-
<b>Total Expenditure</b>	<b>878,266</b>	<b>41,559</b>	<b>919,824</b>	<b>873,972</b>	<b>-45,852</b>	<b>95%</b>	<b>-5%</b>	<b>783,296</b>
<b>Surplus/(Deficit)</b>	<b>36,284</b>	<b>-15,154</b>	<b>21,130</b>	<b>6,138</b>	<b>-14,992</b>	<b>29%</b>	<b>17%</b>	<b>-4,128</b>
Transfers recognised - capital	53,360	20,593	73,953	49,857	-24,096	67.4%	93.4%	64,820
Contributions recognised - capital	-	-	-	-	-	-	-	-
Contributed assets	-	-	-	-	-	-	-	-
<b>Surplus for the year</b>	<b>89,643</b>	<b>5,440</b>	<b>95,083</b>	<b>55,995</b>	<b>-39,088</b>	<b>58.9%</b>	<b>-69.8%</b>	<b>60,692</b>

**Appendix C - Unaudited**  
**Knysna Municipality**  
**National Treasury Appropriation Statements for the year ended 30 June 2019**  
**Capital Expenditure by Vote, Standard Classification and Funding**

Description	2018/2019							2017/2018
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
R,000								
<b>Capital expenditure - Vote</b>								
<b>Multi-year expenditure</b>								
Vote 1 - Executive and Council	-	-	-	-	-	-	-	-
Vote 2 - Corporate Services	1,000	-600	400	-	-400	-	-	-
Vote 3 - Financial Services	1,150	-154	996	309	-687	31%	27%	1,688
Vote 4 - Strategic Services	-	-	-	-	-	-	-	-
Vote 5 - Planning and Development	-	4,158	4,158	5,095	937	123%	-	23,020
Vote 6 - Community Services	17,351	14,181	31,532	14,811	-16,721	47%	85%	12,410
Vote 7 - Electrical Services	11,300	3,285	14,585	13,980	-605	96%	124%	12,533
Vote 8 - Technical Services	58,960	15,677	74,637	69,533	-5,104	93%	118%	38,224
Vote 9 - Community & Social Services	-	-	-	-	-	-	-	-
Vote 10 - Sport & Recreation	-	-	-	-	-	-	-	-
Vote 11 - Public Safety	-	-	-	-	-	-	-	-
Vote 12 - Electricity	-	-	-	-	-	-	-	-
Vote 13 - Waste Management	-	-	-	-	-	-	-	-
Vote 14 - Water	-	-	-	-	-	-	-	-
Vote 15 - Other	-	-	-	-	-	-	-	-
Capital multi-year expenditure	89,761	36,547	126,308	103,727	-22,581	82%	116%	87,876
<b>Single-year expenditure</b>								
Vote 1 - Executive and Council	-	3,930	3,930	1,863	-2,067	47%	-	1,451
Vote 2 - Corporate Services	56	55	111	91	-20	82%	163%	10
Vote 3 - Financial Services	1,000	164	1,164	1,760	596	151%	176%	2,968
Vote 4 - Strategic Services	-	-	-	-	-	-	-	-
Vote 5 - Planning and Development	10,140	936	11,076	4,062	-7,014	37%	40%	495
Vote 6 - Community Services	3,890	11,068	14,756	14,924	188	101%	404%	10,037
Vote 7 - Electrical Services	15,294	50	15,344	11,277	-4,067	73%	74%	12,523
Vote 8 - Technical Services	30,801	9,089	39,890	11,961	-27,929	30%	39%	14,306
Vote 9 - Community & Social Services	-	-	-	-	-	-	-	-
Vote 10 - Sport & Recreation	-	-	-	-	-	-	-	-
Vote 11 - Public Safety	-	-	-	-	-	-	-	-
Vote 12 - Electricity	-	-	-	-	-	-	-	-
Vote 13 - Waste Management	-	-	-	-	-	-	-	-
Vote 14 - Water	-	-	-	-	-	-	-	-
Vote 15 - Other	-	-	-	-	-	-	-	-
Capital single-year expenditure	60,981	25,290	86,271	45,939	-40,332	53%	75%	41,791
<b>Total Capital Expenditure - Vote</b>	<b>150,742</b>	<b>61,837</b>	<b>212,579</b>	<b>149,666</b>	<b>-62,913</b>	<b>70%</b>	<b>99%</b>	<b>129,666</b>
<b>Capital Expenditure - Standard</b>								
<b>Governance and administration</b>	3,346	3,539	8,885	5,416	-1,469	79%	162%	8,387
Executive and council	-	3,930	3,930	1,863	-2,067	47%	-	1,451
Finance administration	3,346	-391	2,955	3,553	598	120%	106%	6,936
Internal audit	-	-	-	-	-	-	-	-
<b>Community and public safety</b>	20,511	18,081	67,872	32,701	-25,171	57%	111%	41,000
Community and social services	17,451	22,770	40,221	18,460	-21,761	46%	106%	12,766
Sport and recreation	1,400	1,298	2,698	3,637	939	135%	260%	2,410
Public safety	660	-600	60	1,453	1,393	2422%	220%	2,318
Housing	10,000	4,893	14,893	9,151	-5,742	61%	92%	23,507
Health	-	-	-	-	-	-	-	-
<b>Economic and environmental services</b>	19,350	-15,500	3,850	2,773	-1,077	72%	14%	5,083
Planning and development	250	500	750	-	-750	-	0%	-
Road transport	19,100	-16,000	3,100	2,773	-327	89%	15%	5,083
Environmental protection	-	-	-	-	-	-	-	-
<b>Trading services</b>	98,535	45,382	143,917	108,776	-35,141	78%	110%	75,197
<b>Energy services</b>	26,594	3,335	29,929	25,257	-4,672	84%	95%	25,056
Water management	42,919	35,702	78,621	57,834	-20,787	74%	135%	34,002
Waste water management	27,492	4,565	32,057	22,481	-9,576	70%	82%	12,958
Waste management	1,530	1,780	3,310	3,205	-105	97%	210%	3,180
Other	-	-	-	-	-	-	-	-
<b>Total Capital Expenditure - Standard</b>	<b>150,742</b>	<b>61,782</b>	<b>212,524</b>	<b>149,666</b>	<b>-62,858</b>	<b>70%</b>	<b>99%</b>	<b>129,666</b>
<b>Funded by:</b>								
National Government	42,056	9,565	51,621	35,732	-15,889	69%	85%	31,681
Provincial Government	11,360	14,972	26,332	16,848	-9,484	64%	148%	27,644
District Municipality	-	-	-	-	-	-	-	-
Other transfers and grants	-	-	-	-	-	-	-	-
<b>Transfers recognised - capital</b>	<b>53,416</b>	<b>24,537</b>	<b>77,953</b>	<b>52,580</b>	<b>-25,373</b>	<b>67%</b>	<b>98%</b>	<b>59,324</b>
Public contributions & donations	-	-	-	1,160	1,160	-	-	1,334
Borrowing	52,196	21,112	73,308	49,550	-23,358	68%	96%	22,701
Internally generated funds	45,130	16,132	61,262	45,977	-15,285	75%	102%	46,308
<b>Total Capital Funding</b>	<b>150,742</b>	<b>61,781</b>	<b>212,523</b>	<b>149,667</b>	<b>-62,856</b>	<b>70%</b>	<b>99%</b>	<b>129,666</b>



**Appendix C - Unaudited**  
**Knysna Municipality**  
**National Treasury Appropriation Statements for the year ended 30 June 2019**  
**Cash Flows**

Description	2018/2019							2017/2018
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
<b>R,000</b>								
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>								
<b>Receipts</b>								
Ratepayers and other	609,915	7,057	616,972	582,657	-34,315	94.44%	95.53%	538,173
Government	207,182	38,799	245,981	193,627	-52,354	78.72%	93.46%	178,709
Interest	22,023	-	22,023	9,443	-12,580	42.88%	42.88%	10,302
<b>Payments</b>								
Suppliers and employees	-704,174	-51,332	-755,506	-667,074	88,432	88.29%	94.73%	-619,967
Finance charges	-14,395	217	-14,178	-14,366	-188	101.33%	99.80%	-14,854
Transfers and Grants	-3,150	-544	-3,694	-4,151	-457	112.37%	131.78%	-4,723
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>	<b>117,401</b>	<b>-5,803</b>	<b>111,598</b>	<b>100,136</b>	<b>-11,462</b>	<b>89.73%</b>	<b>85.29%</b>	<b>87,640</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>								
<b>Receipts</b>								
Proceeds on disposal of PPE	1,000	-	1,000.00	30,00	-970	3.00%	3.00%	-
Decrease (Increase) in non-current debtors	-	-	-	-	-	0.00%	0.00%	-
Decrease (Increase) other non-current receivables	-	-	-	-	-	0.00%	0.00%	-
Decrease (Increase) in non-current investments	-	-	-	-2,133	-2,133	0.00%	0.00%	-2,016
<b>Payments</b>								
Capital assets	-147,687	-61,292	-208,979	-148,506	60,473	71.06%	100.55%	-126,020
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>	<b>-146,687</b>	<b>-61,292</b>	<b>-207,979</b>	<b>-150,609</b>	<b>57,370</b>	<b>93.82%</b>	<b>102.67%</b>	<b>-128,035</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>								
<b>Receipts</b>								
Borrowing long term/refinancing	50,196	23,112	73,308	60,238	-13,070	82.17%	120.01%	38,573
Increase (decrease) in consumer deposits	770	23	793	536	-257	67.59%	69.61%	1,087
<b>Payments</b>								
Repayment of borrowing	-16,736	236	-16,500	-18,469	-1,969	111.93%	110.35%	-25,601
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>	<b>34,230</b>	<b>23,371</b>	<b>57,601</b>	<b>42,305</b>	<b>-15,296</b>	<b>73.44%</b>	<b>123.59%</b>	<b>12,060</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>	<b>4,944</b>	<b>-43,724</b>	<b>-38,780</b>	<b>-8,168</b>	<b>30,612</b>	<b>21.06%</b>	<b>-165.21%</b>	<b>-28,336</b>
Cash/cash equivalents at the year begin:	67,227	12,650	79,877	79,877	-	100.00%	118.82%	108,213
Cash/cash equivalents at the year end:	72,169	-31,073	41,096	71,709	30,613	174.45%	99.36%	79,877

